DIFFERENTIALS IN MODE CHOICES OF EXPORT ENGAGEMENT

A study on the small and medium-sized manufacturing firms in Vietnam

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“Nothing ventured, nothing gained”

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ABSTRACT

The literature on export management and export behaviors conventionally analyze export as a general mode without distinguishing different options of choice. In the process of internationalization, small firms build up unique perceptions and pursuits of their international opportunities. Within different levels of internationalization, exporting firms also develop a different approach to the exploitation of capabilities and resources.

The lack of resources and capabilities of small and medium enterprises is among the major obstacles for their internationalization. This research explores how firms develop capabilities and utilize external resources during their internationalization process. The study aims to answer the two main questions: What are the patterns of capabilities and resources utilization in SMEs export mode choices? How do these patterns explain the differentials in the export mode choices? Two phases of empirical investigation have been conducted, focusing on explaining the differentials of capabilities and network resources in different mode choices of export engagement. By applying a mixed method, the study ensures validity by using multiple sources of data.

In the exploratory phase, three different groups of SMEs are investigated, including non-regular exporters, indirect exporters using independent agents, and regular direct exporters. The preliminary research phase examines essential patterns of dynamic capabilities and network resources that enable SMEs in different export modes. A series of semi-structured interviews were conducted with senior business managers, coming to the aid of drawing the research model and building up reliable constructs. In the findings, the thematic content analysis technique was used to generate important patterns and themes with the presence of quotes and evidence from the respondents. The analysis was in conjunction with the literature review with the aim of drafting the questionnaire survey.

The confirmatory phase specifies insights and differences in the direct and indirect export mode choice. Outcomes from the non-parametric test show that direct exporters have a significantly greater endowment of dynamic capabilities and network resources

than indirect exporters. This explicit evaluation of dynamic capabilities and network resources support firm decisions to choose between direct and indirect export mode or the combination of both.

The results enrich the contextual understanding of the differentials in mode choices of export engagement, thus, contributing to the export management literature an empirical input of the SMEs participation in the global trade. The findings corroborate that researchers should not generalize SMEs internationalization export mode as a whole, given the significant differences between direct and indirect exporters. Understanding different mode choices of export, especially in their development of dynamic capabilities and utilization of network resources can help firms improve performance on their export journey. In the specific context of this study, it is strategically for small manufacturing exporters to select the appropriate entry mode. As overcome resource scarcity is vital for firms to succeed in coping with business risks and uncertainties in accessing foreign markets. Last but not least, the study also suggests some directions for future research in the internationalization process of small and medium enterprises.

Keywords: small and medium-sized enterprises, internationalization process, network resources, dynamic capabilities, direct export, indirect export, Vietnam

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ABBREVIATIONS

ADB	Asian Development Bank
ADBI	Asian Development Bank Institute
ASEAN	Association of Southeast Asian Nations
BG	Born Global
CAQDAS	Computer-Assisted Qualitative Data Analysis Software
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
EU	European Union
EVFTA	European Vietnam Free Trade Agreement
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GSO	General Statistics Office
HCMC	Ho Chi Minh City
IB	International Business
ILO	International Labor Organization
INV	International New Venture
ITPC	Online Trade and Investment Information Portal
OECD	Organization for Economic Cooperation and Development
OLI	Ownership, Location, and Internationalization
RBV	Resource-Based View
SME	Small and Medium Enterprise
SPSS	Statistical Package for the Social Sciences
UN	United Nation
VCCI	Vietnam Chamber of Commerce and Industry
VEPR	Vietnam Institute for Economic and Policy Research
VINASME	Vietnam Association of Small and Medium Enterprises
VMF	Vietnam Ministry of Finance
VND	Vietnam Dong
VNMIT	Vietnam Ministry of Industry and Trade
VTIP	Vietnam Trade Information Portal
WB	World Bank
WEF	World Economic Forum
WTO	World Trade Organization

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1 INTRODUCTION

This chapter provides the background of the research, including rationale of the research, research questions and objectives. The chapter emphasizes on the importance of the research topic and its relevance in international business practice. This chapter describes characteristics of small firms in emerging economies and overview of their international expansion strategies. Then, there is also a short description of the thesis structure.

1.1 Research background

The expansion of global value chains has encouraged more widespread and inclusive participation of many developing, emerging, and frontier markets. Thanks to the favorable availability of technology as well as commercial platforms and trade policies, small and medium-sized enterprises (SMEs) are becoming more effective in finding new business opportunities. This is predominantly correct in current centuries when the business environment has become more globally competitive, and the pace of technological growth has reached an incredible level (Hollensen, 2017). Engaging in global trade has become a phenomenon for many firms in the process of seeking growth opportunities, exploiting economies of scale, diversifying business risks, gaining know-how, and improving competitive advantage (Czinkota & Ronkainen, 2013).

In particular, the process of internationalization is complex as it evolves in a number of environmental contexts (Fuchs, 2016). Numerous scientific researches have been conducted within the trade-related area to fulfill the understanding of market globalization (e.g. Leonidou & Katsikeas, 1996; Johanson & Mattsson, 2015; Knight & Liesch, 2016; Reuber, Dimitratos, & Kuivalainen, 2017; Albaum, Albaum, & Duerr, 2008). Given in the context of firm internationalization processes and the integration of firms into global value chains are the ongoing processes, a wealth of scholarly contributions has been accomplished. Nevertheless, Leonidas et al. (2018) with a

systematic review of international marketing research articles during 1995-2015 still encouraged that recent developments and trends in the field should be further explored. To foster more research efforts within this area, Katsikeas (2018) comprehensively listed four main limitations that prior studies challenged: (1) broad-based; (2) outdated; (3) inadequate consideration of explicit topics; (4) little advice to enhance existing knowledge. Therefore, further conceptual, and empirical examinations should be adopted to build in knowledge and uncover problems and issues of international business operations. Research interest in addressing ongoing and emerging challenges firms facing can substantially contribute to the understanding of environmental reality. Consequently, diversification and advancement of the existing international business theory become useful inputs to trade policy-experts and business decision-makers. One of the key issues in international business research is foreign market entry mode (Bruneel & De Cock, 2016), however, the majority of entry-mode research has focused on multinational enterprises (Laufs & Schwens, 2014). Compared to multinational enterprises, SMEs differ extensively in terms of competencies, market behavior, and strategies in the international markets (Ribau, Moreira, & Raposo, 2018). Thus, research on entry modes of SMEs becomes rationally necessary adding to the state of knowledge of SMEs internationalization.

Drawing on internationalization theory, one has to admit that different aspects can significantly impact the goal of firm internationalization. Especially in manufacturers' export ventures, the literature indicates that key internal and external factors play important roles in accomplishing the desired outcomes (Spyropoulou, Katsikeas, Skarmeas, & Morgan, 2018). Export is the predominant mode of internationalization for most SMEs engaged in the international market (Etemad & Wright, 2003). The incremental process-focused literature on firm internationalization corroborates different levels of intensity of export engagement and subsequent resource commitment (Tan, Brewer, & Liesch, 2007a).

A recent study from the World Bank and WTO finds that SMEs participation in global trade is typically weak, especially in developing countries. In the World Bank Enterprise survey of 25,000 SMEs, the direct export manufacturing SMEs account for only 7.6

percent of total SMEs sales, while large manufacturing firms are double with 14.1 percent (WTO, 2016). These figures show that there is either a lack of an inclusive trading system or identification of SMEs obstacles during their foreign market entries. Undoubtedly, one can take the second sentiment to assume that there is a gap in understanding how firms build up within levels of internationalization. Put differently, it concerns how a non-exporter firm becomes an exporter and how it engages in different levels of intensity of export. Taking into account as discussed above, export activities often involve complex processes. Research on export phenomenon attempted to narrate export and firm performance or antecedents of firm performance in general, e.g. (Katsikeas, Morgan, Leonidou, & Hult, 2016). To our knowledge, the internationalization theory of firms has been well-introduced decades ago, e.g. (L. S. Welch & Luostarinen, 1988). Still, the studies on the internationalization process are continuing to comprehend firm maturity in international business activities. The entry modes to the international market, exporting, for example, is one of the choices of firm internationalization. However, the understandings of each export mode choice are inadequate. In a recent review of SME export decision, Tan et al. (2018) corroborate the limitations of export-related studies which have focused on general export entry mode without distinguishing between direct exporting and indirect exporting. This limitation is of great importance comparing different modes of export. From operational perspectives, two major gaps prevent us from fully understanding firm mode choices of export engagement are: first, the utilization patterns of network resources and capabilities in each mode of export; second, what enables the exporting firm to move from one exporting stage to another.

SMEs, in many cases, face challenges of limited resources and lack of knowledge about unfamiliar markets at the early stage of internationalization (Eberhard & Craig, 2013; Peng & Ilinitch, 1998). Despite their scarce resources, some SMEs succeed in coping with business risks and uncertainties to access foreign markets (Knight & Cavusgil, 2004; Oviatt & McDougall, 2005; Zhou, Wu, & Luo, 2007). In particular, due to the lack of resources and capabilities, SMEs need to develop resources by seeking them externally to manage their international engagement (Y. Lu, Zhou, Bruton, & Li, 2010). Researchers have identified two pathways for resource development: either by building

from a firm's prior path or acquiring from external sources (J. Schmidt & Keil, 2013). However, SMEs often face challenges to integrate and capture the value of external resources in a dynamic business environment (Li-Ying, Wang, & Ning, 2016; West & Bogers, 2014). They need a collection of capabilities that could help to exploit and turn these resources into superior performance (Knight & Kim, 2009). These capabilities, e.g. (Dornberger & Nabi, 2013), can create knowledge and therefore serve as critical factors for internationalizing successfully (Raymond, St-Pierre, Uwizeyemungu, & Le Dinh, 2014).

Incremental internationalization models (Forsgren, 2002; Johanson & Vahlne, 1990; Stoian, Rialp, & Rialp, 2011) acknowledge the importance of resource availability in the internationalization process. To exploit international opportunities, firms should possess appropriate resources (Hitt, Bierman, Uhlenbruck, & Shimizu, 2006). SMEs typically have inadequate information, capital, management, and experience, while they export. This makes them vulnerable to environmental uncertainties (Buckley, 1989). Such deficiencies in resources and capabilities impose constraints on the internationalization of SMEs (Zacharakis, 1997). Knowledge and information are critical resources for the internationalizing SMEs. They assist firms to reduce risks (D. D. Sharma & Blomstermo, 2003), enhance the establishment of new relationships (Guercini & Runfola, 2010), and help the firm to identify new market opportunities (P. D. Ellis, 2011). Managers require strategic choices with resource acquisition and capability to enhance export performance (Morgan, Kaleka, & Katsikeas, 2004). Accumulating resources internally is difficult for SMEs, which requires excessive time and increases risk exposure (Etemad & Wright, 2003). This is even more difficult when firms move into foreign and unfamiliar markets (Calhoun, 2002; Lee, Kelley, Lee, & Lee, 2012). Consistent with network perspective on internationalization, networks as external resources which are considered as important facilitators to SMEs foreign market entry. Literature within this mainstream has examined the contribution of network access to new markets and business opportunities (Street & Cameron, 2007). Networks are important facilitators for learning, acquiring knowledge, gaining experience (Hohenthal, Johanson, & Johanson, 2015) and understanding different market characteristics (Chetty & Holm, 2000). Information sharing on foreign market

opportunities among networked firms and individuals can increase firms' chances of internationalizing successfully (Zhou et al., 2007). By providing access to key resources, skills, and knowledge controlled by others, networks facilitate avenues to access and mobilize a broader resource base external to the boundaries of the firms (J. Child & Hsieh, 2014). At the same time, firms also need capabilities to deploy their assets and coordinate their activities (DeSarbo, Anthony Di Benedetto, Song, & Sinha, 2005). Firms co-create value in service exchanges with their business partners (Raymond et al., 2014).

Although Vietnam has been blessed with positive economic reports over the last decade, local Vietnamese exporting enterprises are facing many long-term challenges. Excluding the significant inflow of foreign direct investment, especially in some concentrated economic regions, there are still structural quandaries and a lack of a domestic industrial concentration. The manufacturing sector retains its dominant position in most of the foreign direct investment projects. The total export value in 2017 shows that the foreign direct investment companies are dominant in export turnover of the country, accounting for 73 percent, acting as the main driver of the economy (GSO, 2018b). By focusing on the valuable resources of manufacturing SMEs, the local government has greater chances to stimulate the growth of existing small businesses and expand to foreign markets (Vatne, 1995). Engaging in the international market can certainly enhance firm performance and allow it to exploit economies of scale, stimulating technology upgrading, and encouraging higher quality products (Baldwin & Gu, 2003). Improving export performance has, therefore, become the strategic decision that provides a solution for economic reinvigoration (Freeman, Styles, & Lawley, 2012) and macroeconomic stability. Coming from such inspiration, a study exposed to resources and capabilities becomes an urgent task to understand how different export modes among SMEs are initiated. Additionally, further studies that advance and enrich the contextualized understanding of various types of international firms from emerging economies (Reuber et al., 2017) are encouraged in mainstream international business research.

1.2 Research question

This thesis examines the differentials in mode choices of export engagement of SMEs in the manufacturing sector. The study aims to understand what enables firms to export indirectly, what enables firms to export directly, and why some firms outperform others with the focus on investigating network resources patterns and capabilities utilized by the SMEs. With the emphasis on different modes of export engagement, the study does not only enrich the understanding of this phenomenon, taking Vietnam as a small nation on the rise of the manufacturing industry and export but also reveals preeminent practices preparing for the internationalization process of the small and medium-sized enterprises.

Aiming to understand the dynamics of firm internationalization and support local SMEs to succeed in the global market in the long run, the objectives of this research address three main objectives as follow:

- **Objective 1:** explores how firms develop capabilities and utilize network resources during their internationalization process with a focus on explaining three different modes of export-led internationalization of the SMEs: non-regular exporting, indirect exporting via independent agents, and regular direct exporting.
- **Objective 2:** addresses the differences between direct and indirect exporting firms and examines the factors that lead to differentiation in options of export entry modes focusing on dynamic capabilities and network resources. The export-related studies normally focused on general export entry mode without distinguishing between direct export and indirect export option. This study aims to close this gap and enrich the contextualized understanding of different firm choices of direct and indirect export options.
- **Objective 3:** suggests a strategic export approach for the participation of SMEs in global trade, how one can overcome their scarce resources, and succeed in coping with business risks and uncertainties in accessing foreign markets. The explicit evaluation of dynamic capabilities and network resources support firm

decisions to choose between direct and indirect export mode or the combination of both.

The study focuses on the empirical investigation of the Vietnamese manufacturing firms, as well as perceives export as a worldwide phenomenon in the internationalization process of firms. The study explores a hierarchy of organizational capabilities and the exploitation of network resources. This approach not only explains the role of resources and capabilities needed for the internationalization of SMEs but also exposes to view the typical difficulties SMEs are facing. Additionally, besides exploring patterns of resources and capabilities, this study also corroborates insights into the patterns commitments that make firms less adaptable or more adaptable in different exporting stages. Based on the preceding discussions, the focal interest of this research is to investigate export mode choices, concerning the roles of capabilities and resources in the internationalization process of SMEs. The main research questions are:

- What are the patterns of capabilities and resources utilization in SMEs export mode choices?
- How do these patterns explain the differentials in the export mode choices?

As an attempt to highlight different export mode choices, a mixed method approach was conducted to gain the most insights of the exporting firms in the manufacturing sector. It implies that a two-stage empirical investigation was applied in this study. In the first stage, a qualitative method using interviews was employed, involving three types of firms for the analysis, including non-exporting firms, indirect exporting firms, and direct exporting firms. In the second stage, a quantitative method using surveys was conducted, concentrating on comparing the direct and indirect exporting firms. Embedded into the structure of the research, results drawn from the first stage are used to assist the second field research. In the end, the statistical evidence ascertains the most essential factors differentiating different mode choices of exporting firms.

1.3 Structure of the thesis

This thesis provides contemporary concerns, insights into the current status of the exporting SMEs in one of the most dynamic economies in the Southeast Asian region: Vietnam. Although the research on export was introduced decades ago, this thesis offers a fresh review by drawing on capabilities and network theories. Especially, the focus on differentials in firm export mode choices contribute to the empirical knowledge of international expansion strategies. The thesis dissertation comprises six main chapters. Descriptions of the chapters are portrayed as follows:

- Chapter 1: Introduction

In the first chapter, the background of the research was introduced concerning the research context. The specific aims, the research questions, and the thesis structure were described. The importance of this topic is highly relevant in the international business stream, adding to the understanding of current issues of firm internationalization. This chapter accesses the disciplines of small firms from an emerging economy and an overall review of international expansion strategies.

- Chapter 2: Overview of the Vietnamese manufacturing industry

In this chapter, a description of the empirical context is highlighted. In the introduction of this specific industry and the emerging economy context, related research phenomena, and its relevance from local to global issues are reviewed. The chapter captures the characteristics of the manufacturing sector, introducing its operational status and yields a reasonable motivation to conduct empirical research in this chosen context. This chapter also synthesizes related reports and extant studies on the Vietnamese manufacturing sector and its reflection with neighboring economies in the region and the whole world.

- Chapter 3: Literature review

In the third chapter, a critical review of the literature is accomplished. This is one of the most dedicated parts of this PhD project that produces a complete research proposal

before applying the field research. The review was done mainly based on evaluative and systematic reviews of the pertinently existing literature. The main goal of this chapter is to identify most related theories and empirical evidence that support the understanding of the internationalization process of SMEs and different export mode choices. This chapter is a fundamental step to ascertain the research gaps and propose an initial research model. The proposed research model focuses on different modes of export, describing organizational capabilities and firm network patterns, making itself a unique contribution to the existing empirical literature of export management.

- Chapter 4: Research methods

Chapter four describes an overview of the research method. The research strategy proposes an appropriate research method to tackle the research problem. A rationale approach using a mixed methodology was explained. The two-stage empirical methods involve first, a qualitative approach using interviews, and second, a quantitative approach using survey administration. This part deals with the explanation of the research design and description of the data preparation.

- Chapter 5: Results and Discussion

This chapter consists of empirical findings and discussions.

Phase I Qualitative research approach: In this phase, the introduction to each phase data collection and data analysis are portrayed. The three groups of firms were analyzed with a focus on the exploratory investigation of organizational capabilities and network resources patterns. The result from this phase is a linkage providing a comprehensive framework to design further empirical research. Phase I plays a significant role in the research, offering a preliminary understanding of the research problem, contextual settings, and proposing a modification of the research framework.

Phase II Quantitative research approach: This phase confirms the differential between two different export mode choices: direct and indirect export. The network resources, dynamic capabilities, and export performance are derived from the exploratory phase I

and existing literature in chapter 3. A non-parametric approach is conducted, and empirical results are also presented.

- Chapter 6: Conclusion

Continuing on the results and discussion, this chapter presents a summary with the emphasis on highlighting the research findings, revealing critical knowledge gaps, inputs for theoretical contribution, and implications for firms and policymakers. Over and above, this chapter also discusses the limitations of the research and suggests new possible directions for future research.

2 VIETNAMESE ECONOMY AND THE MANUFACTURING INDUSTRY

This chapter provides an overview of the chosen empirical context. The chapter also reviews the characteristics of the manufacturing sector and provides reasonable motivation to conduct empirical research in this chosen context. This chapter systematically looks at the Vietnamese manufacturing industry and the importance of exporting SMEs in global trade.

2.1 Vietnam economic outlook

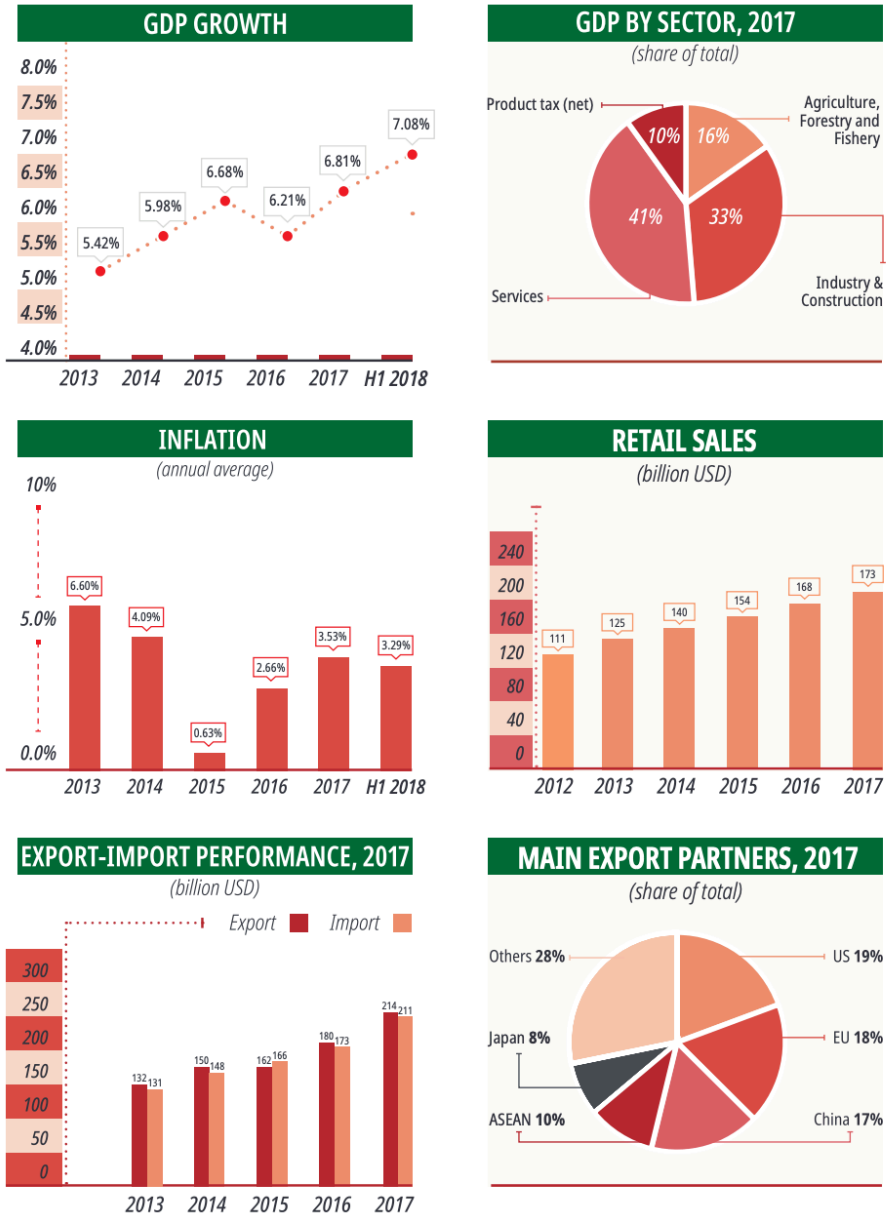
Vietnam today is classified as a lower-middle-income country among the World Bank list of economies. Since the economic transformation over 30 years ago, launched in 1986, Vietnam has been shifted strongly from a centrally planned to a market economy to becoming one of the most dynamic economies among Southeast Asian countries. The rapid economic growth and development were driven by an attractive business climate, a young and well-educated workforce, low labor, and production costs, as well as the achievement of free trade agreements.

In December 2015, the EU and Vietnam announced the EVFTA EU-Vietnam Free Trade Agreement (European Commission, 2015), and officially joined the ASEAN Economic Community (ADB, 2015). The discussion of EVFTA has been progressing and is determined to give final approval for the agreement to enter into force in 2019. In February 2016, the Trans-Pacific Partnership agreement (Vietnam News, 2016) was signed. These agreements on a macro level will provide opportunities that are expected to contribute to the Vietnamese economic development. The internationalization of SMEs in Vietnam is no longer at an infancy stage, rather on a growth stage where local firms must be competitive to survive. Externalization of tasks is more urgent than ever.

Accordingly, the figures below captured the most important facts of the Vietnamese economy. Since 2013, Vietnam's GDP annual growth rates increased continuously from 5.42 percent and reached above 7 percent in 2018. This value is nearly double the world average value in the same period, making Vietnam among the fastest growing

economies in the world. However, the inflation rate remains a risky factor, reaching 6.6 percent in 2013 and reducing to 3.29 percent in 2018. By country economic sectors, Services are dominant with a contribution of 41 percent share of GDP, followed by Industry and Construction with 33 percent and Agriculture, Forestry, and Fishery with 16 percent. In terms of export performance, the country perceived nearly equal values in both export and import activities. The export-import surplus is about 2 billion USD in 2017. The three biggest export partners are the US, EU, and China.

Figure 1. Vietnam economy overview



Source: FIA - Foreign Investment Agency (2018)

2.2 Description of manufacturing SMEs in Vietnam

2.2.1 SMEs definition

As stated by the Decree No. 56/2009/ND-CP prescribing the policies and management support state assistance for the development of small and medium enterprises, small and medium businesses that have business registration in accordance with the law, is divided into three levels: micro, small and medium scale in terms of total capital or number of employees per year. The levels are categorized into three main sectors: (1) Agriculture, forestry, and fishery; (2) Industry and construction; (3) Trade and service.

Table 1. Vietnamese enterprises categorized by capital and labor scale

Sector	**Micro enterprises**	**Small-sized enterprises**		**Medium-sized enterprises**	
	Number of laborers	*Total capital*	*Number of laborers*	*Total capitals*	*Number of laborers*
I. Agriculture, forestry, and fishery	10 persons or fewer	vnd 20 billion or less	between 10 persons and 200 persons	between vnd 20 billion and vnd 100 billion	between 200 persons and 300 persons
II. Industry and construction	10 persons or fewer	vnd 20 billion or less	between 10 persons and 200 persons	between vnd 20 billion and vnd 100 billion	between 200 persons and 300 persons
III. Trade and service	10 persons or fewer	vnd 10 billion or less	between 10 persons and 50 persons	between vnd 10 billion and vnd 50 billion	between 50 persons and 100 persons

Source: Article 3, Decree No. 56/2009/ND-CP

Most compelling evidence, it has been acknowledged that small and medium-sized enterprises play a key role in national economies, generating employment, value-added around the globe (OECD, 2017). In developing countries, formal SMEs contribute up to 45 percent of total employment and 33 percent of GDP, while SMEs in the OECD countries account for 70 percent of employment and generate up to 60 percent of total value added (OECD, 2017). The potential of SMEs is much stronger when the number of informal SMEs is taken into account (IFC, 2010). A study of SME participation in global trade (UNESCAP, 2014) finds that higher-income economies have higher ratios of SMEs employment. This fact provides a rationale for lower-income economies to support the development of the SME sector to enjoy employment benefits in return.

Figure 2. SME employment and SMEs per 1,000 people by income group

Source: UNESCAP, 2014

2.2.2 SMEs in manufacturing sector

The manufacturing sector is an essential area as it contributes the most to Vietnam's GDP. In 2006, manufacturing SMEs accounted for 91 percent of all manufacturing firms in operation.

According to the General Statistics Office of Vietnam, the number of manufacturing firms increased three times from 2003 to 2013 and made a record in 2016 with 14.8 thousand newly established enterprises, accounting for 13.4 percent (GSO, 2016). In terms of employment, the number of employees in manufacturing increased from 2.6 million in 2003 to 6.2 million in 2015 (GSO, 2016).

Table 2. SMEs in manufacturing industries, 2000-2009

	2000	2001	2002	2003	2004	2005	2006	2009
Manufacturing SMEs	*9150*	*10982*	*13143*	*15003*	*18434*	*21840*	*24553*	*41361*
% share in total manufacturing firms	*88%*	*89%*	*89%*	*89%*	*90%*	*91%*	*91%*	*94%*
Food and beverage	3252	3338	3663	3791	4156	4735	5089	6430
Tobacco products	13	16	12	14	14	14	14	18
Textile	314	391	512	585	713	901	1093	1698
Wearing apparel dressing and dyeing of fur	372	531	680	820	1127	1303	1483	3036
Tanning, dressing of leather & luggage/handbags	103	148	181	199	292	364	362	718
Wood processing, products made from bamboo	695	834	1012	1116	1400	1642	1973	3508
Pulp paper and paperboard	365	461	527	645	779	949	1063	1615
Publishing, printing & reprod. of recorded media	256	396	551	735	1052	1269	1713	2893
Coke, refined petroleum and nuclear fuel	11	12	13	10	17	15	30	44
Chemicals and chemical products	352	463	570	694	830	999	1158	1602
Rubber and plastic products	426	574	756	846	1087	1378	1564	2609
Other non-metallic mineral products	983	1088	1143	1197	1436	1594	1690	2671
Manufacture of metal	106	156	209	250	304	389	448	775
Metal products	586	830	1190	1516	2060	2536	2979	5940
Machine and other equipment	211	288	363	453	553	653	717	907
Office accounting and computing machinery	2	5	10	14	23	22	24	585
Engines and other electrical equipment	140	168	211	253	339	375	410	807
Motor vehicles and trailers	163	198	244	231	276	337	218	270
Other transport equipment	223	279	312	354	399	475	504	610
Furniture and other products	462	669	817	1082	1312	1583	1652	2309

Source: General Statistics Office, adopted from Vixathep (2013)

Notably, the manufacturing industry is also known for its national employment contribution and export (Le & Harvie, 2010). Changes in government policies have strongly influenced the development and growth of small and medium enterprises. However, private domestic owned firms still face many constraints for their growth and survival. Although the exporting value increased significantly, the ministry of industry and trade showed that the high achievements relied on foreign-invested sectors. According to the Vietnamese Ministry of Industry and Trade, the foreign-invested economic sector was the major momentum of economic growth, accounting for more than half of the total export turnover in 2013. As revealed by the World Economic Forum (2015), the main obstacles to business growth and survival are access to finance, policy instability, inadequately educated workforce, etc. According to Vu Van Huong

(2012), this becomes a push factor for domestic SMEs to look for opportunities from exporting markets to ensure the survival probability and growth of firms.

2.2.3 Development characteristics during 2006-2015

According to the Vietnam Institute for Economic and Policy Research (VEPR, 2017), the manufacturing industries and services are the main operating sectors of SMEs. The manufacturing industries account for a smaller proportion compared to the service industry, 23.1 percent, and 55.8 percent of the total SMEs nationwide respectively. The manufacturing sector is categorized into three sub-groups, including low-tech manufacturing, medium-tech manufacturing, and high-tech manufacturing. The data calculation from VEPR in 2015 shows that most manufacturing SMEs operate in low-tech manufacturing, accounting for 11.75 percent, and only 3.07 percent operate in high-tech manufacturing. While the distribution of SMEs by industry is dominated by SMEs in services, only 10 percent operate in knowledge-intensive services.

Table 3. Distribution of SMEs by industry during 2006-2015 in percentage

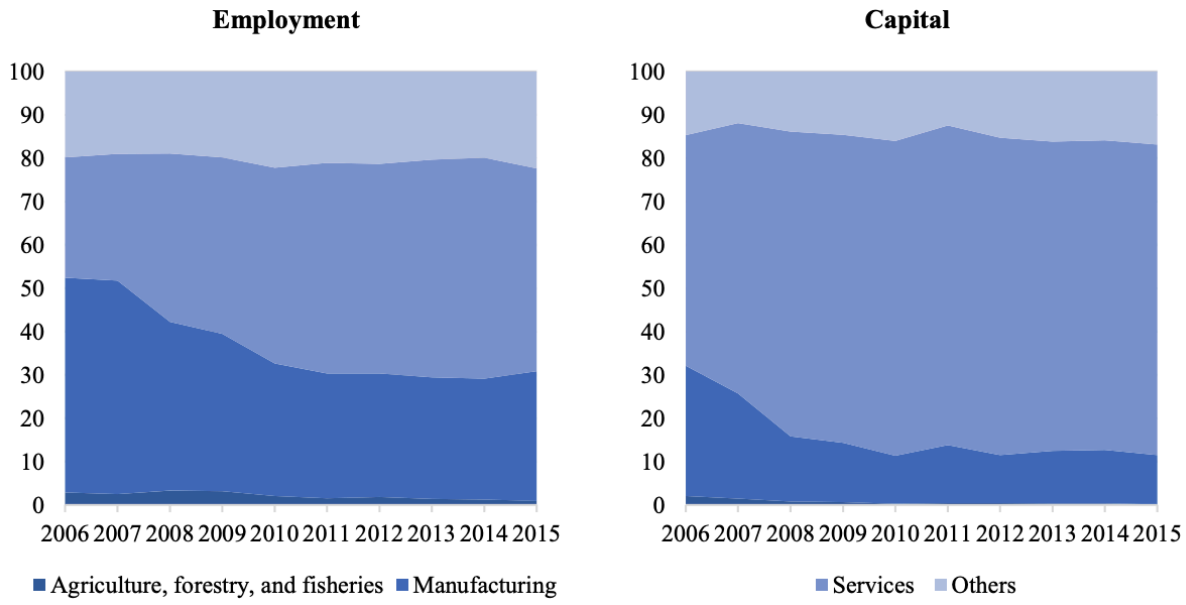
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Agri-forestry-fisheries	2.98	2.57	2.68	2.73	1.39	1.17	.16	1.33	1.22	0.73
Mining, electricity, water	3.44	3.18	1.58	1.58	1.43	1.36	1.31	1.05	1.01	0.64
Construction	19.28	18.46	16.52	16.71	20.26	17.77	17.53	18.03	17.95	19.68
Low-tech M	17.46	16.38	13.81	12.33	11.36	10.84	10.67	10.99	10.74	11.75
Medium-tech M	9.28	9.03	7.18	7.37	6.94	7.36	7.32	7.29	7.66	8.28
High-tech M	4.63	4.3	3.5	3.12	2.87	2.91	2.85	3.02	2.99	3.07
KI market services	3.83	4.19	7.67	6.79	7.03	8.48	8.62	8.93	8.89	7.09
High-KI services	1.01	0.99	1.94	1.71	0.34	0.39	0.39	0.35	0.36	0.35
KI financial services	0.58	0.64	0.32	0.36	0.34	0.33	0.67	0.31	0.27	0.41
Other KI services	0.99	1.03	1.5	1.29	1.48	1.54	1.72	1.86	2.11	2.16
Less KI services	36.51	39.24	43.3	46.01	46.56	47.85	47.31	46.85	46.79	45.83

Notes: M and KI stand for manufacturing and knowledge-intensive, respectively

Source: Vietnam Institute for Economic and Policy Research (2017)

In terms of employment, the number of employees was strongly shifted from agriculture, forestry and fisheries, and manufacturing industries to service industries during the 2006-2015 period. As a consequence, the capital shares of SMEs were changed among these industries, which showed the increasing capital share of the service industries. The figure below shows the distribution of employment and capital of SMEs by industry during the 2006-2015 period.

Figure 3. Employment and capital of SMEs by industry, 2006-2015 (%)



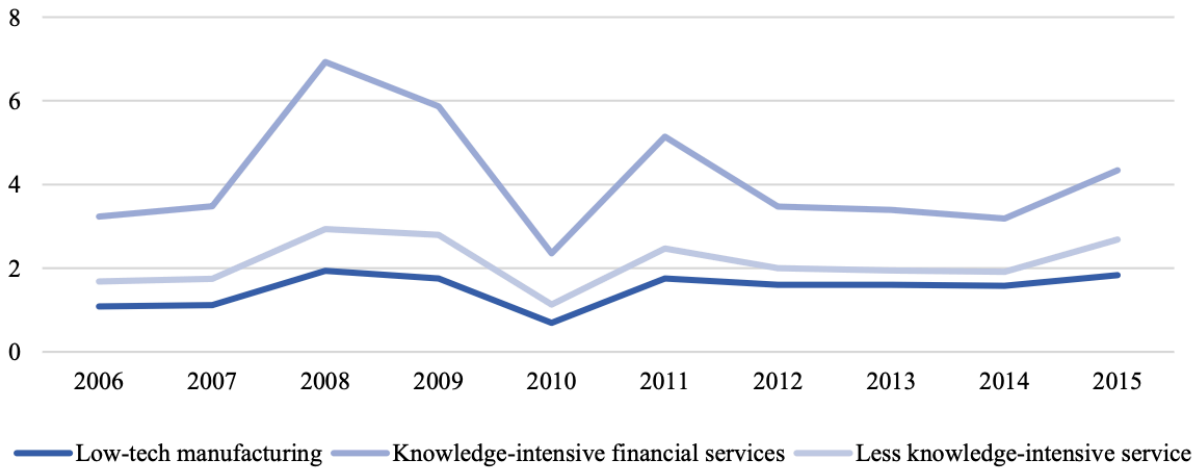
Source: Vietnam Institute for Economic and Policy Research (2017)

With respect to SMEs distribution by provinces, Hanoi and Ho Chi Minh City host more than 50 percent of total SMEs, the rest followed by Hai Phong, Da Nang, Dong Nai, and Binh Duong (VEPR, 2017). The Red River Delta and Southeast regions are home to most SMEs, growing from 62 percent in 2006 to 85 percent in 2015. According to the Vietnam Business Annual Report from VCCI (2016), most SMEs are likely to expand their business within the two major cities Hanoi and Ho Chi Minh City.

In terms of income, the gap of workers' income between large enterprises and SMEs becomes smaller as SMEs have demonstrated a generally faster growth (VEPR, 2017).

By industry, employees in the labor-intensive industries or low-tech manufacturing industries are paid way lower than other industries, especially compared to the knowledge-intensive services. The decreased income in 2010 reflects the impact of the global financial crisis which began in 2007. The negative impact did not last long as the figures were improved shortly after the event.

Figure 4. Income per worker of SMEs by industry in Vietnam, 2007-2015 (ratio)



Notes: Income expressed in ratio to per-worker income in agriculture-forestry-fisheries

Source: Vietnam Institute for Economic and Policy Research (2017)

2.3 International trade and export status of Vietnamese manufacturing SMEs

The World Bank emphasizes that for Vietnam the export-oriented growth model has been rewarded, jobs created, salaries increased faster with 11 percent in industry, 9 percent in agriculture, and 5 percent in services (Obert, 2018). The booming export sector also leads to high labor demands, including high and low skilled workers. Employment in the manufacturing sectors improved the most, adding 800 percent to a total of 3 million jobs created between 2014 and 2016, while production increased 13.3 percent (Obert, 2018). The Vietnamese economy has been blessed over the last decades as one of the fastest-growing in terms of GDP growth. In 2017, it was reported that the GDP growth rate is up to 6.81 percent, higher than the estimated value of 0.11 percent (GSO, 2017).

In particular, data from the World Bank in 2017 indicated that the rapid economic growth and development has transformed Vietnam from one the poorest country to a lower-middle-income country (WB, 2017). While the GDP per capita in 2017 is 2.385 USD (GSO, 2017), still relatively lower to most of the neighboring countries (ADB, 2018). The Vietnamese economic performance in 2017 was remarkable, reflecting predominantly improvement in the export-oriented manufacturing sector. According to the General Statistics Office of Vietnam, the manufacturing and processing sector accounts for 15.3 percent of the national GDP, compared to 42.7 percent of the services sector, 32.5 percent of all industry and construction, and 14.7 percent for agriculture, forestry and fishery (GSO, 2018a). The manufacturing's growth rates are constantly high, above 7 percent over the last 6 years. It was 14.08 percent in 2011; 9.05 percent in 2012; 7.22 percent in 2013; 7.41 percent in 2014; 10.60 percent in 2015; 11.90 percent in 2016; and 14.40 percent in 2017 (GSO, 2018a). The official data also reported that the manufacturing growth was strongly boosted by export activities with an increase of 21 percent in 2017 compared to 2016 (GSO, 2018a).

On the positive side, recent efforts of the government on making international free trade agreement (FTA), such as the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership, signed 11 countries including Vietnam in March 2018), or the EVFTA (European – Vietnam Free Trade Agreement, discussed in December 2015, expected to become effective in 2019), yield many optimistic signals for the future of export. FTA has been a big expectation as a means for Vietnam to enter the global market, especially after the end of sanctions and trade embargo in 1995 and the signing to become a member of WTO in 2007. It was recently reported that in 2018 the Import-Export Department of the Ministry of Industry and Trade has signed for Vietnam to participate in 17 FTAs (Bizlive, 2018a). After 11 years of joining the international trade, the speed of participation in FTAs is relatively fast, indicating a positive image of international integration of Vietnam. Though it has been alerted that the formation of high standards FTAs, on one hand, establish the cross-border ties, on the other hand, increase competition thus bringing great challenges to local competitiveness and integration (WTO-VCCI, 2017).

Aside from other export sectors, the manufacturing sector alone must compete with tax reduction imported-products from the EU in the first year within the framework of EVFTA (EC, 2016). This requires Vietnam to strongly prepare to grasp the opportunities and change its approach to facilitating local businesses. Research supporting policies and implications for exporting manufacturers becomes one of the key actions to facilitate these free-trade commitments and support domestic production.

It is no doubt believed that the manufacturing sector entertains its high potential among industries, especially after the country's economic reform process since 1986 (Do, 2016). The growth strategy was dominated by the development of the intensive manufacturing industry, proved the government's efforts, as well as a few unexpected consequences (Do, 2016).

In a recent report, the Swedish Trade and Invest Council looking for opportunities in Vietnam considered automation, robotics, and machinery as perquisites to enhance productivity in the Vietnamese electronics and food processing industry (Business Sweden, 2015). The report categorizes two types of industries, that are furniture, electronics, and food or beverage (F&B) have a high demand for automation; while automotive, chemicals, metals, and machinery have lower demand for automation (Business Sweden, 2015).

On the other hand, the textile is one of the leading exporting sectors in Vietnam. However, the Swedish council (Business Sweden, 2015) believed that its labor intensity might not be changed easily in the short term. Similarly, the automotive sector does not have efficient operating factories, while the machinery sector lacks investment and government support policy. In contrast, the electronics and F&B sector is believed to be the highest potential sectors as being the most attractive FDI sectors. The key local companies in food-processing sectors are Vinamilk (sold 20 percent its share to Thaibev, Thailand in 2017), Masan (sold nearly 30 percent its shares to foreign partners), TH True Milk, Vissan, Nutifood, and Kinh Do (sold 100 percent its share to Mondelēz International in 2016); and the key foreign companies in food-processing sectors are Nestlé and Unilever (H. Nguyen, Benjamin Petlock, & Megan Francic, 2017). Thus, the emergent growth of the food-processing sector can be seen by strong merger and

acquisition activities, where most local firms sold themselves to foreign companies. The electronics sectors, seen as contributing the most value to exporting products, are operating by most foreign large enterprises. These companies are from the US, Japan, and South Korea, such as Samsung, LG, Microsoft, and Intel.

According to the GSO report on the economic situation in 2017, the export turnover of goods was valued at $214 billion (GSO, 2018b). The domestic economic sector achieved $59 billion and the FDI sector achieved $155 billion, accounting for 27 percent and 73 percent, respectively. Besides, it is imperative to notice that the domestic economic sector had a trade deficit of $26 billion while the FDI sector had a trade surplus of $29 billion. The statistics show that the country did not only make a record of trade value but also exhibits a significant difference between the domestic and the FDI contributing sector.

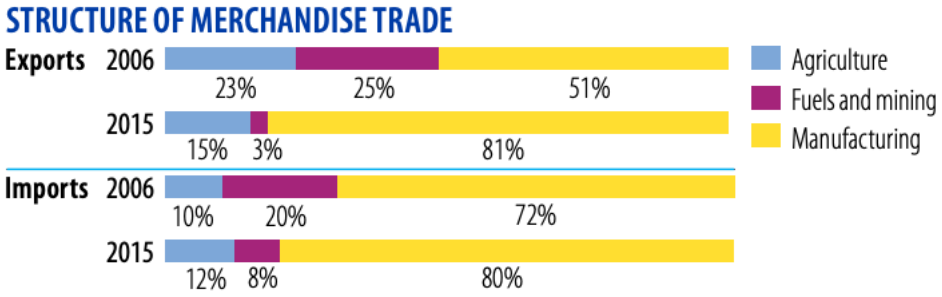
The Vietnamese manufacturing exporting products are various with a notable remark in touching higher-value products, such as electronics and computers. The key exporting products based on values are electronics and computers, machinery and spare parts, seafood, shoes, textile, and wood products (GSO, 2018b). The strong growth of electronics and machinery sectors indicate that Vietnam associates with higher-value exporting products, compared to the lower-values of exporting products such as textiles, agricultural products, and machinery spare parts in the past.

Since the 1990s, it was reported that SMEs in Vietnam account for about 20 percent share of total exports (UNCTAD, 2005). The contribution of SMEs to the Vietnamese national economy accounts for an important proportion, especially in terms of employment and GDP. According to the official GSO data in 2017, Vietnam SMEs contribute 49 percent to the national GDP and 78 percent job creation. Under such a situation, the Vietnam Ministry of Planning and Investment in 2012 approved the SMEs Development Plan 2011-2015 which aimed to expand the proportion of export from SMEs up to 25 percent total export nationwide (Decision No. 1231/QD-TTg dated 07/09/2012, MPI). Recently, to further enhance the competitiveness of SMEs, the National Assembly adopted the Law on Support for SMEs which comes into force in January 2018 (SBV, 2017).

The WTO (2017) provides an overview statistics of Vietnam trade flows and a comparison between service trade and merchandise trade. From 2006 to 2015, export figures stepped up significantly, 307 percent, and 120 percent for goods and commercial services respectively. In terms of merchandise trade, manufacturing alone accounts for more than 80% of the total export in 2015.

Figure 5. Trade flows and structure of merchandise trade

TRADE FLOWS (billion current USD)		2006	2015	Increase	Decrease
Exports	Goods	39.826	162.112	+307% ▲	
	Commercial services	5.060	11.108	+120% ▲	
Imports	Goods	42.602	154.716	+263% ▲	
	Commercial services	5.082	16.300	+221% ▲	



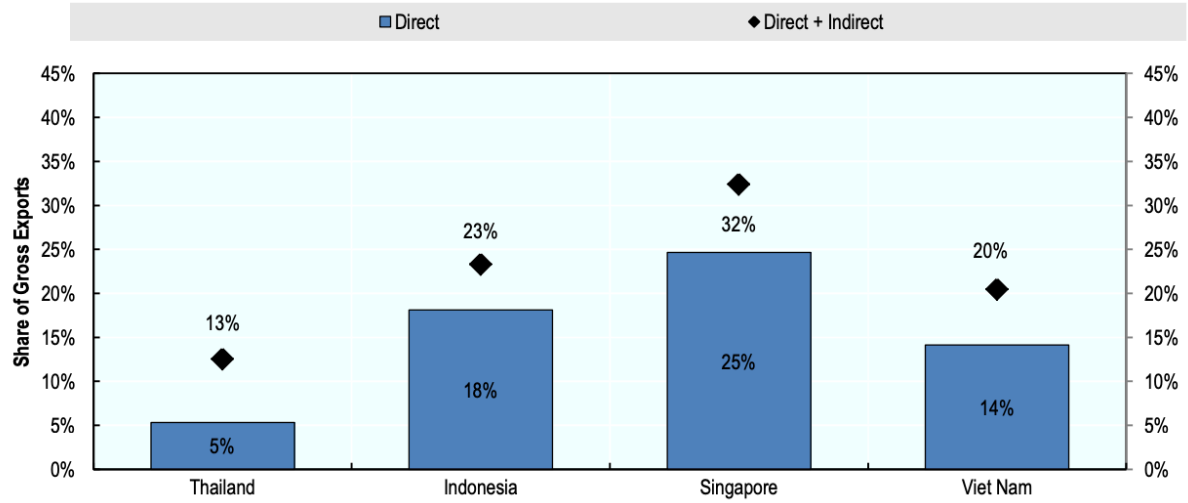
Source: WTO (2017)

The top destinations for merchandise export in 2016 are the USA (21 percent), China (10 percent), Japan (9 percent), Korea (6 percent), and Hong Kong (4 percent). Compared to 2006, the top 5 markets for merchandise export have changed as China climbed up to the second position, Australia and Singapore were replaced by Korea and Hong Kong (WTO, 2017). According to the WTO data, the Merchandise export value of Vietnam in 2017 reached USD 214 billion, comprising 1.2 percent share in world total export.

Within the manufacturing sectors, SME participation in the global value chains has contributed to international production networks. Evidence from the ASEAN SMEs study (Lopez-Gonzalez, 2017) shows that manufacturing SMEs in the region possessing 3 main features: (1) tend to use less foreign value-added than large firms when

exporting, (2) more specialized than larger firms in direct export, (3) indirect export is an important element of SMEs internationalization. In Vietnam, it was reported that SMEs tend to rely on larger firms within the country and establish an indirect exporting channel. The Vietnamese manufacturing SMEs direct exporting constitute 14 percent of total exports, while indirect exports represent 20 percent of total export (Lopez-Gonzalez, 2017). Compared to Thailand, there is only 5 percent of the total export contributed by manufacturing SMEs direct export. Singapore is the country in the region that has the highest contribution of export values by both direct and indirect manufacturing SMEs.

Figure 6. Direct and indirect exporting by ASEAN manufacturing SMEs



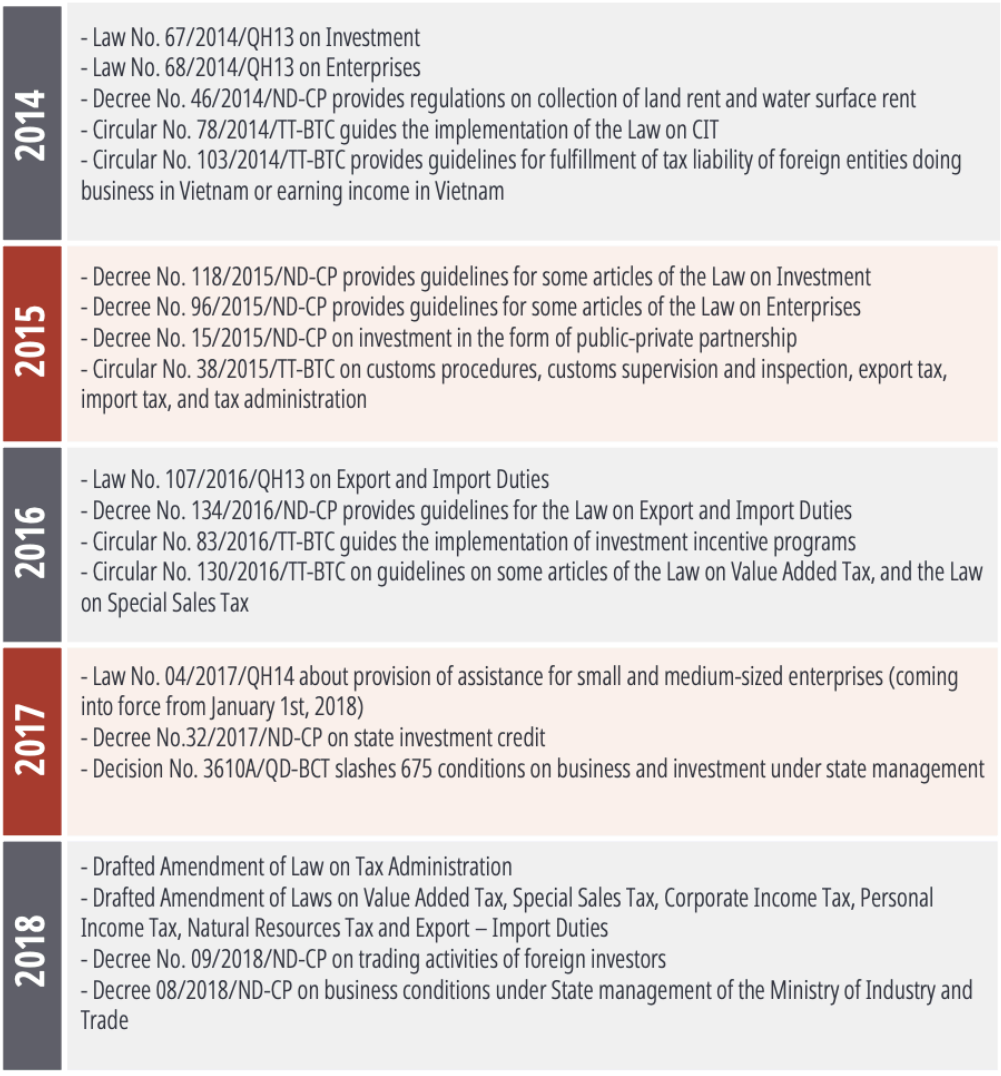
Source: Lopez-Gonzalez (2017), TiVA 2015 ICIO Data

2.4 Vietnam government support policies to SMEs

To continue the current development of the manufacturing sector and export, the government has set an industrial development strategy from 2025 until 2035, with a priority focus on 3 selected sectors: process and manufacturing, electronics and telecommunication, new energy, and renewable energy (VGP, 2014). This refocused strategy has some positive impact on the manufacturing sector considering the current US-China trade tensions. The HCM Securities Corporation acknowledged that Vietnam is emerging as a viable alternative to China for any producer (Bizlive, 2018b). The US-China trade tensions might last longer than expected as both sides have started the

extension plan, encouraging a greater number of producers considering moving their production operations to Vietnam. As an example, Germany has started to inform German companies in China about investing in Vietnam for industrial manufacturing, called 'China plus One' campaign (AHK, 2018). This movement indicates that Vietnam is becoming one of the most dynamic business locations, thanks to the geographic location, political stability, cost advantages, and the FDI attraction policy (Bizlive, 2018b). Since the introduction of the new Law on Enterprises was issued in 2014, the Vietnamese government has been constantly revising the legal framework to support the business environment. Some of the key government efforts to improve the investment climates can be summarized in the following figure.

Figure 7. Vietnam government policy to improve investment climate



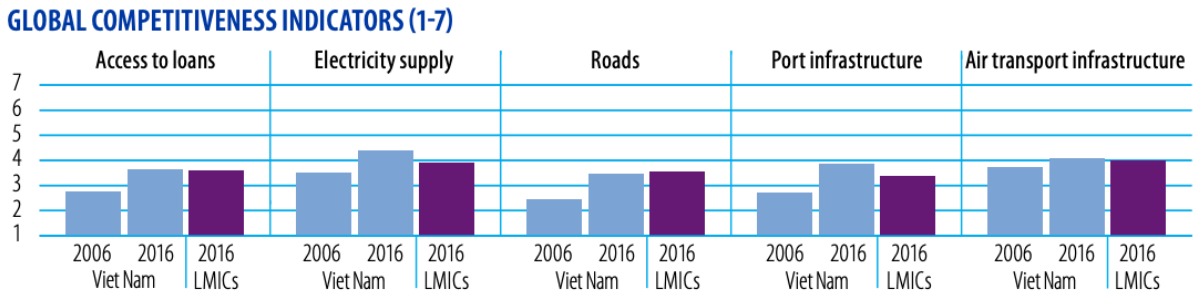
Source: FIA - Foreign Investment Agency (2018)

2.5 Remaining challenges

Firm participation in global trade has been one of the most stimulating phenomena for business owners, policymakers, and especially international business researchers. The growth of private business sectors in emerging markets and their impact on the international economy has extended follow-up studies in this area. Today, the fourth industrial revolution, namely Industry 4.0, fosters a new development trend in the manufacturing sector. Deployment of cyber-physical systems turning factories to be 'smart' can sharply influence the current industry environment and participants in the global value chain. The Internet of things embedded in interconnectivity results in high efficiency of system control and management. Loss of thousand jobs to automatic procedure and integration of new technologies take place in typical traditional factories. In such scenarios, firms must be able to adapt to the transformation of production processes and industrial networks.

On average, Vietnam does not stand out from other low and middle-income countries when comparing the business environment. Based on the Global Competitiveness Index from the World Economic Forum in 2016, Vietnam has developed its competitiveness since 2006. Among 7 indicators reviewed, access to loans and roads are still below the average of the low- and medium-income countries (LMICs). On the other hand, electricity supply, port infrastructure, and air transport infrastructure were higher than the average of LMICs

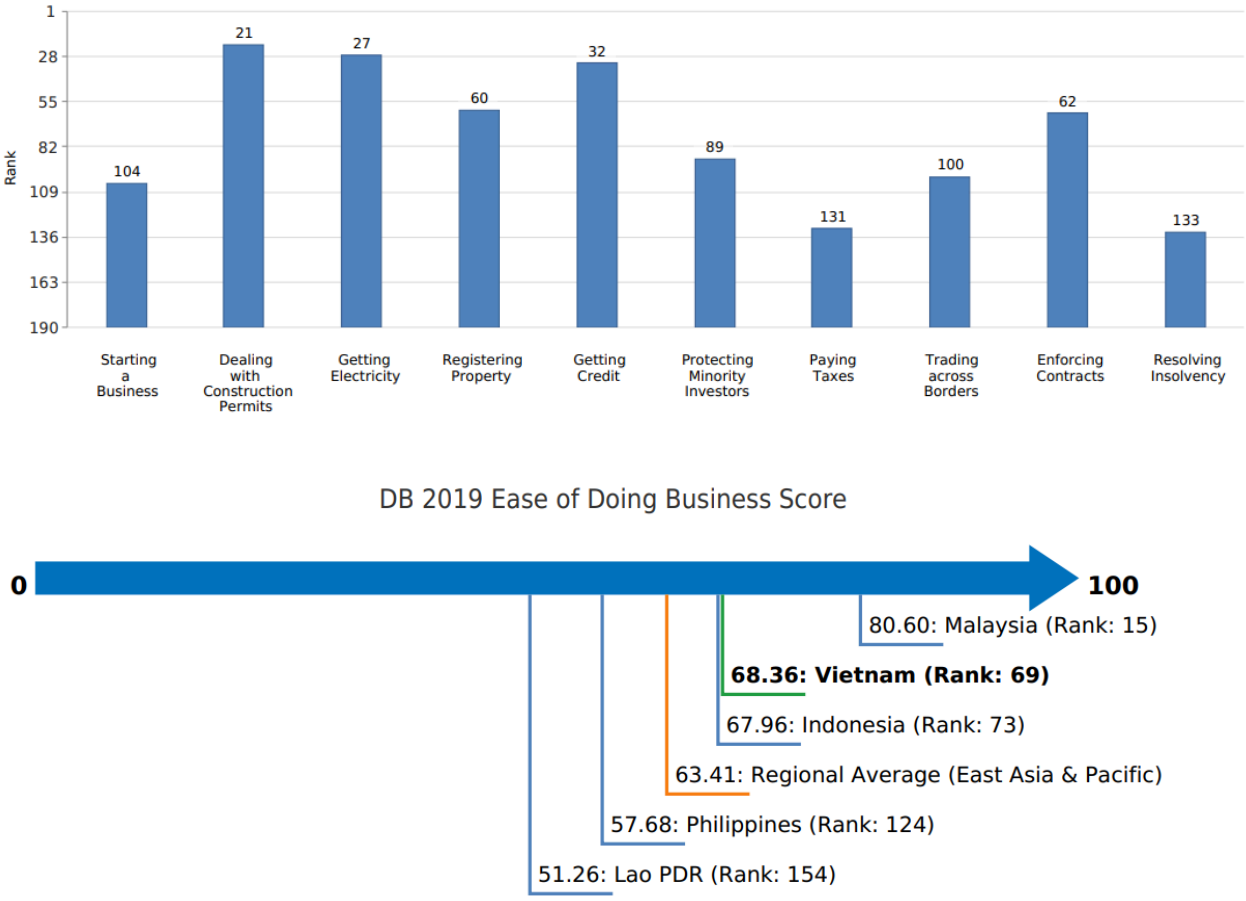
Figure 8. Global competitiveness indicators



Source: WEF Global Competitiveness Index, adopted from WTO, 2017

Although the SMEs play a significant role in terms of GDP contribution (equivalent 49 percent) and job creation (equivalent 78 percent), the Vietnamese SMEs are particularly in the disadvantageous position among the ASEAN countries. The tax rate for SMEs in Vietnam is 20 percent while Singapore, Thailand and Indonesia are 17 percent, 15 percent and 12.5 percent respectively (Vinasmes, 2018). In contrast, most large enterprises receive tax incentives and tax reduction, such as the first 4 years of tax exemption, fixed rate of 10 percent of taxes in 15 years, and the next 9 years of 50 percent tax reduction.

Figure 9. Rankings on ease of doing business in Vietnam



Source: World Bank (2019)

Thus, this unmerited taxation policies and lightly recognizing the role of the SMEs in the economy has addressed many shortcomings in the country. Weak facilitation of the supporting industries stems from the lack of full contribution of the SMEs. It is no doubt

that the economy must heavily depend on FDIs and imports. In 2017, the General Statistic Office calculated that the value of imported materials reached 62.3 percent of the total value of goods after processing (GSO, 2018c). Consequently, the main income of local enterprises is processing activities for foreign countries, except for some strong domestic sectors like textiles and footwear using more domestic materials for production. In general, the slow development of Vietnamese supporting industries is one of the main obstacles to processing activities.

The Vietnamese national association of small and medium enterprises admitted that the Vietnamese SMEs are small in scale, and perceive extremely weak competitiveness (Vinasmes, 2018). Among the registered SMEs, only 2 percent are medium scale, and often vulnerable in terms of capital, technology, and management level (Vinasmes, 2018). Low technological competencies can be the worst scenario for the Vietnamese SMEs, as the approach to Industry 4.0 has been discussed vibrantly recently, emphasizing the replacement of workers by automation, especially in the manufacturing sector. Technical knowledge, teamwork, and communication are the three most critical skill requirements for enterprises in Vietnam, according to the report of the international labor organization (ILO, 2016). Low-value production and low-skilled assembly work in manufacturing face high risk in the technology era. The advancement of automation and the use of robots in the manufacturing sector also give tremendous anxiety for job-loss. Approximately 86 percent of Vietnamese workers in the textile and footwear sector are reported to face unemployment (ILO, 2016). An example in a manufacturing company in Binh Duong that laid off up to 90 percent of its workers to use robots instead has become real in 2017 (TTVN, 2017). The efficiency of high automation production lines compared to workers can be remarkable not only with quality but also quantity. On the other hand, some studies are more optimistic about robots and the ability to create new jobs. The analysis of Asian economies from 2005 to 2015 from the Asian Development Bank proved that the adoption of robots stimulates the production and economic growth, creating 134 million new jobs while losing 101 million jobs (Tiasang, 2018). The PwC (2018b) estimates that by 2030, smart automation technologies could contribute up to 14 percent of the global GDP, equivalent to about $15 trillion. The PwC survey also found that 37 percent of workers

were worried about the possibility of losing their jobs due to automation, while 52 percent of CEOs worldwide are already exploring the benefits of machines and humans working together (PwC, 2018a). In the same way, the OECD study (2018a) predicts that the manufacturing industry and agriculture are mostly affected by automation, which could lead to 14 percent job-loss in OECD countries. Similarly, the spirit of the Industry 4.0 revolution is also believed to create new jobs with great values as long as customers enjoy the benefit of technology (Cafebiz, 2018).

As a summary, some of the main challenges of the Vietnamese manufacturing SMEs are discussed within the following section.

First, a strong shift from agriculture to more productive areas with higher wages was clear. The World Bank indicates that the number of jobs created was high, but the total number of jobs rose less than 1 percent between 2014 and 2016 (Obert, 2018). This means that instead of adding more jobs to the country, the laborers just get out of the agricultural sector.

Second, manufacturing retains its dominant position in most of the FDI projects. The total export value in 2017 shows that foreign direct investment companies are dominant in the export turnover of the country, acting as the main driver of the economy. This critical point can be potentially negative in terms of catching-up for national firms. The movement of manufacturing firms from expensive China to Vietnam recently is one of the main reasons that stimulates the exporting sector. Such movement does not guarantee for future sustainability since a couple of neighboring countries are doing well to be direct competitors regarding attracting foreign investment, Cambodia and Myanmar are among those. Furthermore, the benefits of domestic firms, especially SMEs, from FDI projects, are little with respect to technology transfer and productivity improvement (VNA, 2016). Additionally, in a recent report from the Saigon Times, the FDI sectors shed the most labor in 2018; of these, more than half are workers from industrial zones (Saigontimes, 2018). The main causes are related to productivity and wages in labor-intensive enterprises, especially when FDIs need to restructure production, adopt new technology, and require professional qualifications. This scenario is happening around the world, requiring proper training business policy for

laborers to maintain the stability of employment in the dynamics of market mechanisms.

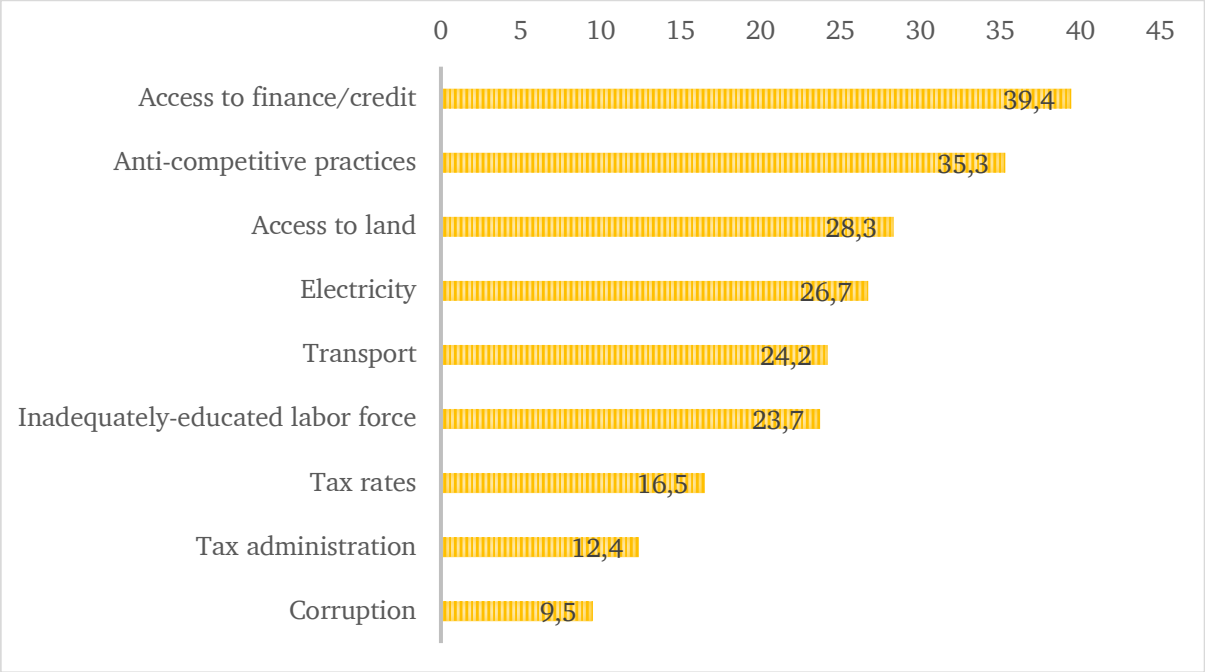
Third, it has been argued that Vietnam has fallen into the middle-income trap, the one that the Japanese economist Kenichi Ohno clarified and discussed (2009). His contribution to economic policies explained that the middle-income trap is an economic situation when an economy is able to achieve a certain level of income but finds it difficult to grow beyond that amount. As a result, some other potential sectors of the economy also become forgotten and gloomy such as traditional agriculture. Beyond this, SMEs, as one of the biggest contributors in the private sector, find difficulties in accessing financial capital and lack of production facilities (VNA, 2016). However, it is believed that Vietnam is not done yet in its transition to the modern economy. In a recent post in the Brooking Institution's Future Development blog, initiated by the Work Bank, Vietnam still has the advantage to manage downside risks and avoid the middle-income trap. The suggestion includes three steps: accelerating productive investment, promoting a productive workforce, fostering innovation (The Brookings Institution, 2019). According to the Central Institute Economic Management (Vietnam News, 2019), the industrial sector, with a focus on labor productivity and higher-value-added products, can help Vietnam to overcome the middle-income trap.

Fourth, low-added values in export seem to be a long-lasting problem, as one cannot easily find a casual product that is marked 'invented in Vietnam'. The intention to export large volumes over many years was just changed slowly to add more value. Instead of exporting a high volume of raw materials, firms now turn to process exporting products and find ways to improve quality. Nevertheless, local firms are still unfamiliar with finding access to international markets. The lack of export promotion programs, export capacity building programs, and financial facilities becomes major constraints for SMEs (VEPR, 2017) to establish their routes to higher value-added. Also, the inadequate information on innovation support services and inadequate public research and development grants are acknowledged to be problems for the development of SMEs (ERIA, 2014).

Fifth, strong competition as a consequence of globalization and free trade agreements can be a major constraint for international integration. With a lot of incentives have been given to FDI companies to attract cash-inflow investment, the same as weak negotiation in terms of agreements are firmly challenging. Within the first 7 months in 2018, nearly 60.000 Vietnamese businesses were shut down, an increase of about 40 percent over the same period last year (VEPR, 2017). In other words, nearly 300 enterprises are suspended every day. Firms in the manufacturing and processing industry discontinued increasing 26 percent, highest among all business sectors.

Sixth, under such circumstances, the government must reorganize the administrative procedures and trade policies to support local enterprises. Regarding the administrative procedures, setting up a legal enterprise in Vietnam takes up to 10 weeks or longer (Law on Enterprises No. 68/2014/QH13). The process is known for inconsistent regulations, bureaucratic challenges and often delays (HCG, 2018). In 2017, the growth of SMEs, especially the micro and small firms, is top among all other enterprises (GSO, 2017). Among all 518.000 registered enterprises, SMEs account for 98.1 percent, compared to 99.3 percent SMEs of a total of 2.4 million enterprises in Germany (Destatis, 2018). Regarding export, 23.3000 enterprises conduct exporting activities, accounting for 4.5 percent of the total enterprises. The SME institutional framework is poorly ranked among governmental policies with a lack of incentives and supporting services (VEPR, 2017). For instance, the WTO (2013) reported that access to land is among the top 3 obstacles to conducting the business of SMEs in Vietnam. On average, only 3 percent of the SMEs are operating in industrial parks (VEPR, 2017). While the rest must count on residential land or living areas, facing unsustainable conditions for long-term operations. Although Vietnam introduced its reform policy of Doi Moi in 1986, and the legal framework for the private sector since the promulgation of the new Enterprise Law in 2000, the establishment of the Small and Medium Enterprise Development Fund has just recently launched, in 2016. Thus, the government initiatives of supporting SMEs development were un-pioneering and unattractive to facilitate the strong growth of the private sector.

Figure 10. Major obstacles to conducting business of SMEs in Vietnam (% of SMEs)



Source: WTO (2013)

Seventh, besides positive indicators to the general economic growth, inequality appears to be increasing, especially in remote areas such as the Central Highlands and the Mekong Delta area. The Gini Index (an estimate from the World Bank, measuring the extent to which the distribution of income among households within an economy deviates from an equal distribution) reached the maximum value of 39.3 in 2010 and continuously dropped to 35.3 in 2016 (Obert, 2018). The increasing inequality of wealth indicates a great challenge for Vietnam in terms of maintaining sustainable social-orders and ensuring the quality of life.

3 LITERATURE REVIEW

This chapter covers four main parts: (i) theory of internationalization, (ii) internationalization process of firms, (iii) international market strategies and entry modes, (iv) proposed research model for further study on SMEs internationalization. The chapter begins with the concept of internationalization and the related theories explaining internationalization phenomena. The major paradigms of the internationalization theories, including the network theory, the transaction cost theory, the eclectic paradigm, and the resource-based view, are assessed. Extensive research on international marketing and export behavior have been discussed. Many theories on international expansion strategies and foreign entry mode choices overlap. However, the existing literature does not fully explain the differences in international entry modes, especially among the SMEs participating in global trade from emerging economies. The organizational capabilities, which are rooted in the resource-based view, together with the network resources, are called to explain entry mode choices of firms. The tendency of this chapter is drawn to enrich the knowledge of SMEs internationalization, where capabilities and network resources and different modes of SMEs export engagement have emerged. In that regard, this chapter facilitates two fundamental issues of the research in general, one is, why this research is necessary; and second is, how the research can be further designed and conducted to fulfill the research gap in the literature.

3.1 Internationalization theories

The concept of internationalization explains the process of firms involved in international markets. Several internationalization theories explain the phenomena, e.g. the trade theories from Adam Smith since 1776 (Smith & McCulloch, 1838) claiming cost advantage from import-export, the approach theories to internationalization from various authors, and the recent theories on international entrepreneurship.

Before 1960, a considerable amount of international business theory was not classified as a single academic discipline, rather accepted by relying on the economics theories

(Buckley, 2011). Since the 1960s, 1970s, and especially 1980s, a widely used approach was conducted to enrich international business theories and understandings of firm internationalization. Johanson and Weidersheim-Paul (1975) and Johanson and Vahlne (1977, 1990) proposed the internationalization theory by explaining the internationalization process of firms based on the accumulation of knowledge. Internationalization is considered as an evolution concept, describing the outward movement in an individual firm or larger grouping international operation (L. S. Welch & Luostarinen, 1988). The process of internationalization has been studied widely to fundamentally understand why and how the internationalization process is initiated and maintained (L. S. Welch & Luostarinen, 1988). The trade theories started mainly with the relative advantage of a specific nation while the international entrepreneurship theories mainly reviewed small businesses and were strongly studied in North America (Boyacigiller & Adler, 1991) to explain the 'leadership' concept.

Sharma and Erramilli (2004) explained internationalization underlying foreign entry modes fundamentally based on three different market-based paradigms of the firm: market imperfection paradigm, behavioral paradigm, and market failure paradigm. However, the RBV further explained the internationalization and has become a major paradigm to explicate internationalization today (V. M. Sharma & Erramilli, 2004). The RBV explains the dynamic competition in the international market and also offers an understanding of entry modes when a firm enters foreign markets relying on its existing resources. Overall, the emerging RBV and the three market-based paradigms suggested by Sharma and Erramilli made up four major approaches to the theories of internationalization theories which are summarized as below.

Table 4. Comparative assessment of Internationalization theories and Entry modes

Paradigm	Entry mode choice theory	Explanatory constructs	Explanation	Prominent studies
Market Imperfection Paradigm	Hymer's theory	Monopolistic Advantage and degree of Market imperfection	FDI mode is chosen if the degree of market imperfection is high. Otherwise licensing is chosen	Hymer (1960); Buckley and Casson (1976); Teece (1980)
	International product life cycle theory	Life cycle stage of product	Export mode is chosen in the earliest stage and FDI mode is chosen during the later stage.	Vernon (1966); Poh (1987)
Behavioral Paradigm	Internationalization theory	Market commitment and Market uncertainty	The firm enters into a host country through indirect exporting and gradually switches over to direct exporting and full ownership	Johnson and Wiedersheim-Paul (1975); Johnson and Vahlne (1977; 1990)
	Networks theory	Network relations	FDI mode is chosen if network relations provide strong competitive advantage. Otherwise low control modes are preferred.	Håkansson (1987); Johanson & Mattsson, (1988); Axelsson, B. and Easton (1992)
Market Failure Paradigm	Internationalization theory	Firm-specific knowledge and the degree of market failure	FDI mode is chosen if the degree of market failure is high. Otherwise, licensing is chosen. Joint venture and export modes are also explained by the modified framework.	Buckley and Casson (1976, 1998); Buckley (1988); Hennart (1986); Hennart and Park (1993)
	Transaction cost theory	Degree of transaction-specificity of an asset	Higher control mode is chosen if the degree of transaction-specificity of an asset is high. Otherwise, a lower control mode is chosen.	Anderson and Gatignon (1986); Coase (1987); Gatignon and Anderson (1988); Klein, Frazier, and Roth (1990)
	Eclectic theory	Ownership advantage (O), Location advantage (L), Internationalization advantage (I)	Export mode is chosen if 'L' favors home market. FDI mode is chosen if 'L' favors host market and the 'I' is higher. Licensing mode is chosen if 'L' favors 'hose market but the 'I' is low.	Dunning (1980, 1995); Brouther, Brouthers and Werner (1996)
RBV	Resource-based theory of firm	A heterogeneous bundle of resources and capabilities	High control modes are chosen when firms have strong firm-specific resources. Otherwise, low control modes are preferred.	Wernerfelt (1984) Barney (1986, 1991); Dierickx and Cool (1989); Conner (1991)

Source: adapted from Sharma and Erramilli (2004)

The section below selects four most recent theories that prominently used in explaining internationalization phenomena and entry modes to discuss, including the network theory, the transaction cost theory, the eclectic paradigm, and the resource-based view.

3.1.1 The network theory

Networks in international business studies are well described in the literature as one of the significant resources for international business venture formation (McDougall, Shane, & Oviatt, 1994). Complementing to the process model of internationalization by Johanson and Vahlne (Johanson & Vahlne, 1977), the network model of internationalization by Johanson and Mattsson (1988) explained the role of networks as part of the driving forces of the internationalization process of industrial firms. This model was an extension to the Uppsala model, concerning internationalization as a process in three dimensions: extension, penetration, and integration that can be categorized in different internationalization degrees of the market and of the firm. The network internationalization model emphasized the importance of developing business relationships with various entities in local and foreign countries to reach a higher degree of internationalization. The internationalization network model, however, did not explain the role of each specific-network pattern. Details of specific network patterns belonged to this theory have not been shown and did not clarify how firms utilize these relationships in their internationalization.

Researchers have developed the theory of networks on more specific disciplines, such as the SME networks (Zain & Ng, 2006), strategic SME networks (Wincent, 2005), benefits of business networks (Dean, Holmes, & Smith, 1997). The network development process theories could be classified into three categories: stages theory, state theory, and joining theory (Batonda & Perry, 2003). Kenny (2009) conducted a review of the network theory.

Table 5. Theories of network development process

Theory	Features	Advantages	Limitations
Stage theory - life cycles models	Similar to product lifecycle, change is inevitable	Potential to provide insights of inter-firm network development, reflect multidimensional aspect of networks	Few empirical studies, no study dynamics of business relationship, failed to capture culture, little information about the transition from one stage to another
Stages theory - growth stage model	Relationship development occurs, following by connection, communication, commitment		
Stages theory	Change is an evolution of unpredictable states	Inter-firm network development viewed as complex and unstructured	No consensus on how networks grow: states or stages
Joining theory	Dynamics driven by what happens at start, thereafter positioning, repositioning and exit of actors in the network	More insights into inter-firm network development process	No empirical study except Batonda and Perry (2003)

Source: Kenny (2009)

3.1.2 The transaction cost theory

The theory was initiated by John Commons (1931) and later introduced by Ronald Coase (1937) to describe the relationships between a firm and the market regarding the inclusion of all costs existing in making an economic exchange, mainly transaction costs and production costs. The theory of transaction costs reflects the role of an economic governance structure of a market: low transaction costs boost economic growth (Douglass Cecil North & North, 1992).

The transaction cost theory has been acknowledged by researchers as a useful framework to examine a variety of business-related phenomena in different areas, e.g. marketing, finance, international management, strategy, and innovation. The transaction cost studies work out substantial drivers of organizational choices and its implications are important for the policymakers (Macher & Richman, 2008).

Beyond the resource-based view theory that explains why some firms maintain competitiveness and perform better than others, the transaction cost theory and the institutional theory are the well-known theories within the domain of firm performance. The firm performance theory is strongly in line with the theory of the growth of firms, which was introduced by Edith Penrose (1959) to understand insights of how firms grow.

3.1.3 The eclectic paradigm

The eclectic paradigm is a theory in economics that described foreign direct investment undertaken by multinational enterprises as an international allocation of resources and exchange of goods (Dunning, 1977).

The eclectic approach is also called the OLI framework, which stands for Ownership, Location, and Internationalization. Ownership addresses the firm-specific advantages of some firms across national boundaries to generate profits. Location is the extent to which firms choose where to operate in a foreign country. Internationalization explains how firms perceive best interests and value-adding to internationalize. Thus, the key proposition of the eclectic paradigm can be understood as firm advantage-oriented to expand its organizational structure (Dunning, 2000). The contribution of the OLI framework and relevant discussions is seen as fundamental to explore many perspectives of international business activities (Gray, 2003), including macroeconomic studies and micro-level studies.

3.1.4 The resource-based view

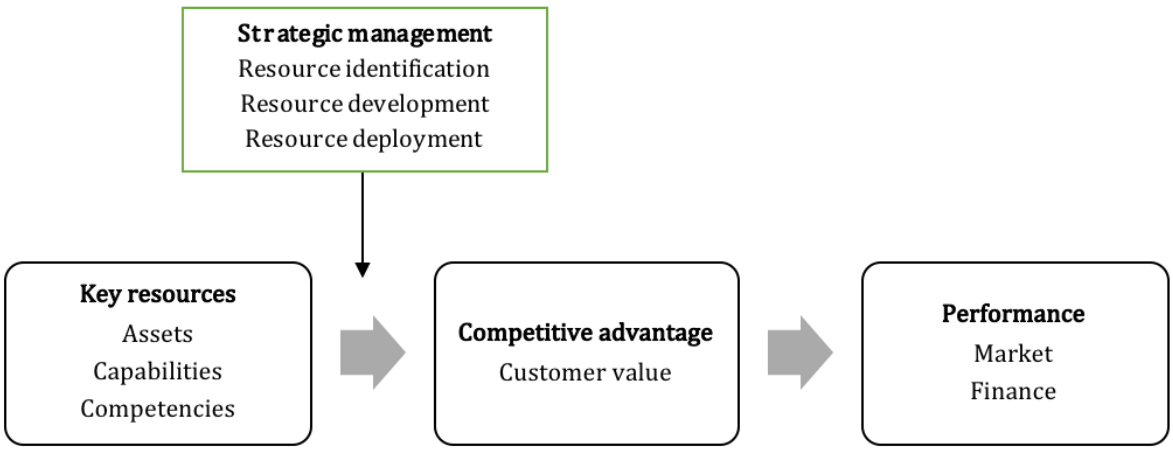
Since the early 1980s, the discussion of industrial structures and profits for companies and industries has been a dominant firm related-study discipline, e.g. the Porter five forces framework (Porter & Porter, 1979). This framework opened up a paradigm of strategic management theory, called resource-based view theory (RBV), explaining the use of firm resources to gain competitive advantage. Barney was one of the most cited authors who reviewed this theory, examining the link between firm resources and sustained competitive advantage also known as the emergence of the resource-based view (J. Barney, 1991).

The RBV suggests that firms can organize their internal resources to exploit the core competencies that make growth possible and prevail over the competitors (Prahalad & Hamel, 2000) in global competition. Barney argued that firm resource-based views is a useful perspective for strategic management research and strongly suggested adopting a simple definition of resources, i.e. tangible and intangible assets a firm used to choose and implement its strategies (J. B. Barney, 2001).

The RBV also received a number of criticisms, such as Priem and Butler (2001) criticized the diffusion of the RBV and its process 'black box' as limited implications, the ignore of external factors in the industry and the lack of critical investigation of how capabilities are developed (Rumelt, 1991). Nevertheless, the RBV is an essential concept that holds much promise to firm effective positioning and its adoption can be beneficial to firm strategic management (Fahy & Smithee, 1999).

Fahy and Smithee (1999) explained that firms earn above-normal returns with a superior strategy in terms of economic value. It is noted that resource only becomes a competitive advantage when it is applied to an industry or brought to a market (Kay, 1993). Amit and Schoemaker indicated that the managers should play their roles in identifying, developing, protecting, and deploying resources to gain success (1993). Barney (1986) explains that how firms match their success with resources depends on the managerial strategy and expectation.

Figure 11. Resource-based explanation of the firm competitive advantages



Source: Fahy & Smithee (1999)

The resource-based view has helped to answer the question: why do some firms outperform others? It explains that firm resources and capabilities are the key drivers of competitive advantage and economic performance. While firm resources can be tangible or intangible, firm capabilities are a subset of resources that enable firms to take full use of other resources.

3.2 The internationalization process of SMEs

Studies on the internationalization process of firms fall within the behavioral paradigms, which focus on the incremental and sequential process of learning (Lindqvist, 1991). The basic assumption of the internationalization process theory was to admit that firms go through different stages. The empirical studies tested how firms obtained knowledge and accumulated experience going international.

The approach to internationalization can be distinguished between the traditional approach and the born-global approach (Chetty & Campbell-Hunt, 2004). The traditional approach was strongly highlighted by the Uppsala internationalization model and the I-innovation models. The born-global approach offers a more substantive contrast to the Uppsala model (Chetty & Campbell-Hunt, 2004). The born-global approach to internationalization explained why firms skip stages and also ignore the domestic market base as the traditional approach does.

3.2.1 The Uppsala models (U-model)

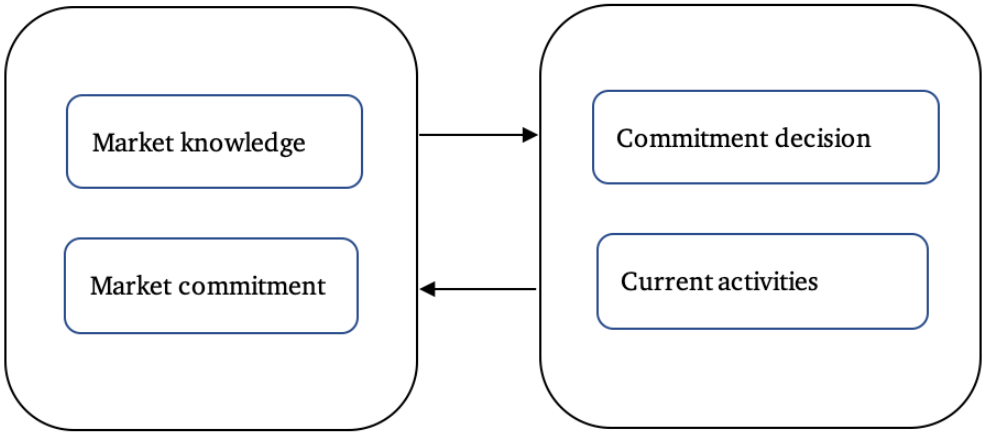
Johanson and Wiedersheim-Paul (1975) introduced the concept of the internationalization process of firms as a consequence of a series of incremental decision making and learning about foreign markets. Johanson and Wiedersheim-Paul (1975) highlighted four different types of stages concerning different degrees of involvement of the firm in the international market:

(i) no regular export activities,
(ii) export via independent representatives,
(iii) sales subsidiary,
(iv) production/ manufacturing.

Each stage requires different resource commitments which can be understood by the logic of psychic distance (Beckerman, 1956), which refers to the factors preventing or disturbing the flows of information between firm and market (Johanson & Wiedersheim-Paul, 1975).

In 1977, Johanson and Vahlne introduced the model of the internationalization process, focusing on the gradual acquisition and use of knowledge and the incrementally increasing commitments to foreign markets (1977). The model shows a combination of state and change aspects.

Figure 12. The basic mechanism of internationalization – State and Change aspects

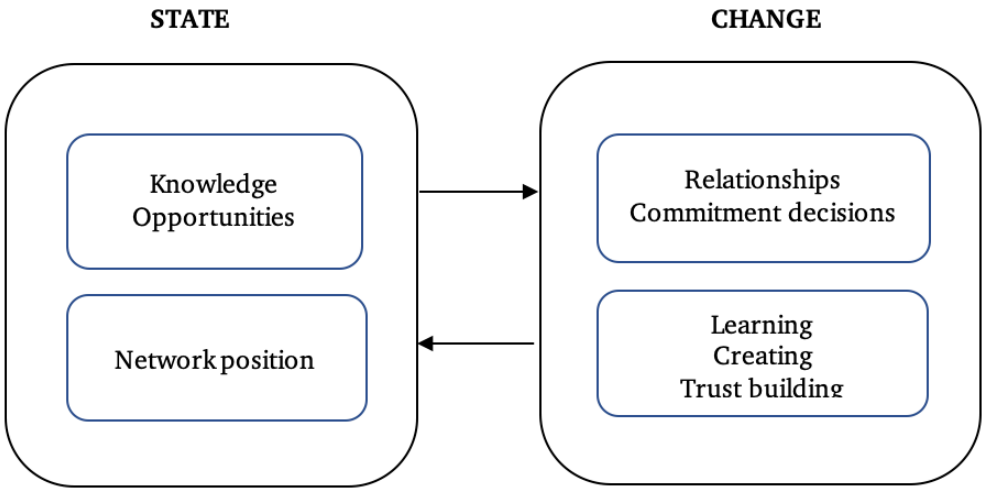


Source: Johanson and Vahlne (1977)

In 2009, Johanson and Vahlne revised the Uppsala internationalization process model, emphasizing the importance of network as the root of uncertainty (Johanson & Vahlne, 2009). The revision model suggests that relevant networks are necessary for successful internationalization as relationships are preconditions that offer the potential for learning and for building trust and commitment (Johanson & Vahlne, 2009). The networks in studies of internationalization were introduced by various authors prior to the revision of the Uppsala model. For instance, Welch and Welch (1996) developed a conceptual model viewing networks as a strategic foundation of the international process; Chen and Chen (1998) distinguished internal and external network as strategic linkages of location choice in FDI, Elango and Pattnaik (2007) explained how firms

from emerging market build capabilities to operate in international markets through networks, the dynamics of networks in the early stage of international new ventures by Coviello (2006), or Loane and Bell (2006) emphasized the importance of networks in rapid internationalization. Based on these discussions, a revised version of the 1977 Uppsala model was extended in 2009, focused on trust-building and knowledge creation when firms embedded in relationships (Johanson & Vahlne, 2009).

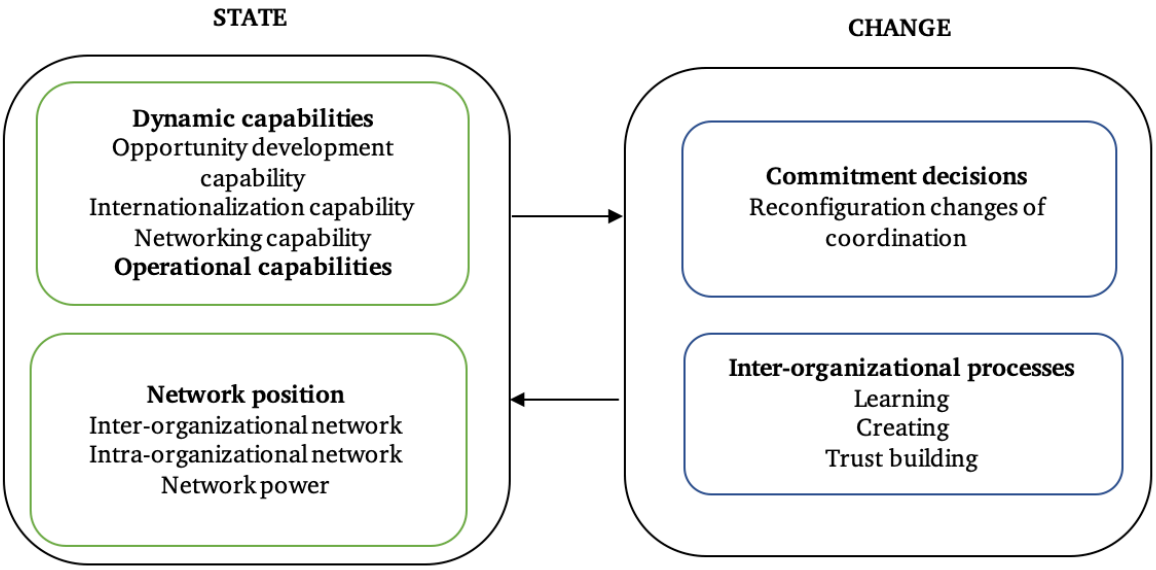
Figure 13. The business network internationalization process model



Source: Johanson and Vahlne (2009)

The new model admits that knowledge is highly context-specific, thus access to knowledge and relationships prior to internationalization can increase the interests in business opportunities and speed up the expansion process. Exploiting the potential business relationships requires firms coordinating network competencies to get in line with other partners' activities.

Figure 14. The Uppsala model on the evolution of the multinational enterprises



Source: Vahlne and Johanson (2013)

Vahlne and Johanson introduced this model as an alternative to the eclectic paradigm evolution of the multinational business enterprises. The model was developed from the Uppsala model, adding dynamic capabilities as one of the critical issues in management to deal with uncertainty. The capabilities are of utmost importance in explaining the success and sustainable development of the multinationals (Vahlne & Johanson, 2013). This proposed model on the study of multinationals also aimed to enrich the understanding of relevant international business aspects which can be also applied at the micro-level.

3.2.2 The Innovation-related internationalization models (I-models)

Why innovation is needed for businesses? Innovation is considered as the key driver of firms' success that requires firms to adopt an effective innovation model (Rogers Everett, 1995). The innovation model was developed in 1945, following four steps of development: basic research, applied research, development, and diffusion (Godin, 2006). The adoption process is a sequence of stages before the acceptance of a new product or service, indicating the learning sequences and differences in each stage of adoption (Rogers Everett, 1995). Thus, Andersen (1993) stated that internationalization decisions are considered as an innovation for firms. Andersen

argued that the internationalization process of firms can be described in two ways: (1) the Uppsala model developed by Johanson and Vahlne, (2) the Innovation-related internationalization of firms focusing on internationalization as an innovation (O. Andersen, 1993). Andersen described four prominent authors behind the main I-model theory development which have a similar focus, including Bilkey and Tesar (1977), Cavusgil (1980), Czinkota (1982) and Reid (1981). The four authors explained the internationalization process through stage one to stage six by gradually engaging in export activities.

Table 6. A review of I-Models

	Bikey and Tesar (1977)	**Cavusgil (1980)**	**Czinkota (1982)**	**Reid (1981)**
Stage 1	Management is not interested in exporting	Domestic marketing: Firm sells only to home market	The completely uninterested firm	Export awareness: problem of opportunity recognition, arousal of need
Stage 2	Management is willing to fill unsolicited orders, but makes no effort to explore the feasibility of active exporting	Pre-export stage: firm searches for information and evaluates the feasibility of undertaking exporting	The partially interested firm	Export intention: motivation, attitude, beliefs, and expectancy about export
Stage 3	Management actively explore the feasibility of active exporting	Experimental involvement: firm starts exporting on a limited basis to psychologically close countries	The exploring firm	Export trial: personal experience from limited exporting
Stage 4	The firm exports on an experimental basis to some psychologically close country	Active involvement: exporting to new countries – direct exporting, increase sales	The experimental firm	Export evaluation: results from engaging export
Stage 5	The firm is an experienced exporter	Committed involvement: management constantly make choices in allocating limited resources between domestic and foreign markets	The experience small exporter	Export acceptance: adoption of exporting or rejection of exporting

Stage 6	Management explores the feasibility of exporting to more psychologically distant countries	NA		The experienced large exporter	NA

Source: Andersen (1993)

The U-models and the I-models are reflected as behavioral-oriented, describing the gradual development of the firm internationalization process (O. Andersen, 1993). The adoption behavior of innovation is influenced by different factors, such as network externalities and competitive pressures (Frambach & Schillewaert, 2002). Selecting an appropriate innovation model becomes challenging as there are different types of innovation (Keeley, Walters, Pikkel, & Quinn, 2013), requiring adaptation to complexities and changes in the technology lifecycle (Teece, 2010).

3.2.3 The born-global phenomenon

Born-global phenomenon (BGs) is usually discussed as rapid and early internationalization, or international new ventures (INVs). The theory can be seen as an evolution of the literature on internationalization models, recognizing new patterns that have not been discussed in previous theoretical models, e.g. the Uppsala model explaining gradually internationalizing process (Johanson & Vahlne, 1977).

In the 1980s, the attention to early internationalization started when Hedlund and Kverneland (1985) investigated Swedish investment in Japan, noticing the rapid entry into the foreign market. Firm internationalization strategies became more vigorous, especially with the rise of international new ventures, e.g. Israel firms (Ganitsky, 1989).

In the 1990s, at the very first development stage of this theory, McKinsey & Company discussed the term 'Born Global' in 1993 when it delivered a study about the rise of SMEs and early Australian internationalizing manufacturing exporters (Mckinsey, 1993). Since then, the BG term has been widely used in both academic studies and industrial reports. For example, Oviatt and McDougall (1994) provided a conceptual paper to identify the emergence of BGs and their ways of obtaining competitive advantages. Similarly, Knight and Cavusgil (2004) revised their proposed research gaps

in studying BGs since 1996. They recommended further studies on explaining and validating the performance of BGs.

In the 2000s until most lately, the growth of new firms in the international market has also encouraged research in the fields of international entrepreneurship and international business. Additional literature review and empirical studies on the concept were extended in the next decades. Some well-cited studies can be highlighted, such as Madsen and Servais (1997, 2002); Sharma and Blomstermo (2003); Chetty and Campbell-Hunt (2004); Knight and Cavusgil (2005, 2015). Besides, more broaden-related-perspectives have been discussed within BGs. For instance, Sarasvathy (2009) engaged the concept of effectuation exploring insights about the entrepreneurial process with BGs. Nummela et al. (2014) extended current understanding on the international growth process of BGs with a focus on strategic decision-making. Zahra (2014) suggested public and corporate policies that can facilitate the growth and profitability of the global entrepreneurial young firms.

By definition, most scholars agree that BGs are young firms and early internationalized. Back to the early discovered stage of the BG concept, Rennie (1993) conducted a study of Australia's high-value-added manufacturing exporters which successfully competed with large firms in the global area. These small to medium-sized firms attained up to 76 percent of total sales from export after two years of operation. In another empirical study of SMEs, Madsen and Servais (1997) also defined BGs as exporting firms with less than two years of operation, and export contributes to at least two-thirds of total sales. While Brush (1995) defined BGs as firms with six years old or younger. This definition is similar to the selection criteria that Zahra et al. (2000) described in their study. Characteristically, BGs are young SMEs often face resource constraints, but manage to quickly establish their internationalizing path (Knight & Liesch, 2016).

Today, the rise of BGs in internationalization is no longer a phenomenon. However, the entrepreneurial efforts that are invested to quickly build cross-border activities often encounter distinct uncertainties. The differences in culture, language, political and economic situations in different national boundaries remain as challenges. Insights and implications for the BGs eventually become vital for their survival and success.

3.3 International market expansion strategy and entry modes

3.3.1 International market expansion strategy

According to Bradley (Bradley, 1995), when considering international market expansion, two aspects are connected to a firm strategic decision: the international market selection, and the choice of entry modes. The expansion to foreign markets requires firms to choose a strategy that serves their efforts in the new market. Two major and opposing strategies facilitate market penetration determinations: market concentration and market diversification (Ayal & Zif, 1979).

The market concentration strategy means firms target only key markets and gradually expand to new markets. The market diversification strategy requires firms to quickly target as many markets as possible and also create a new product for that new market. The diversification strategy was developed in 1957, focused on measuring the profit potential of alternative product-market strategies in the long-term (Ansoff, 1957).

Table 7. Diversification strategy

		Products	
		Present	*New*
Market	*Present*	Market penetration	Product development
	New	Market development	Diversification

Source: Ansoff (1957)

The selection of either concentration or diversification strategy affects the performance of a firm, although there is no theoretical or empirical agreement indicating which one leads to better performance (Mas, Nicolau, & Ruiz, 2006). The understanding of market expansion strategies helps firms to develop the right choice in the early stage of internationalization and achieve the goal of higher market share (Hunt & Arnett, 2004). The internationalization strategy of firms today is one of the most strategic approaches to find success in the global business. The internationalization strategies normally

discuss the market entry strategies, the types of entry modes, and the relevance of decision making.

3.3.2 International market entry modes

Lumpking and Dess (1996) defined that 'new market entry is the act of launching a new venture, either by a start-up firm, through an existing firm, or via internal corporate venturing'. The internationalization mode, also called the foreign market entry mode, differs in the degree of risk, the requirement of committed resources, and return on investment (Peng, 2016). This is a characteristic determination of the internationalization strategies to decide when, how, and where to internationalize aiming to seek the balance between investment costs and return benefits. Concerning the foreign entry modes, Andersen (1997) reviewed the relevant theories and frameworks that explain entry modes.

Table 8. Comparison of different frameworks for studying foreign entry mode

	Entry mode as a chain of establishment	**Transaction cost approach**	**The eclectic framework**	**The organizational capability perspective**
Basic theory	RBV theory	Transaction cost theory	Transaction cost theory, international trade theory, RBV theory	RBV theory
Unit of analysis	Firm	Transaction	Firm	Firm
Explanatory variables	Firm's knowledge	Transaction characteristics	Ownership, locational and internationalization advantages	Firm's capabilities
Behavioral assumptions	Bounded rationality	Bounded rationality and opportunism	Bounded rationality	Bounded rationality
Decision criteria	Trade-offs between growth and risk	Transaction cost minimization	Trade-offs between return, risk, control, and resources	Trade-offs between value and cost
Modes of entry	No export, indirect export, direct export	Contractual transfer, joint venture, owned operation	Independent, co-operative, integrated	Internationalization vs collaboration

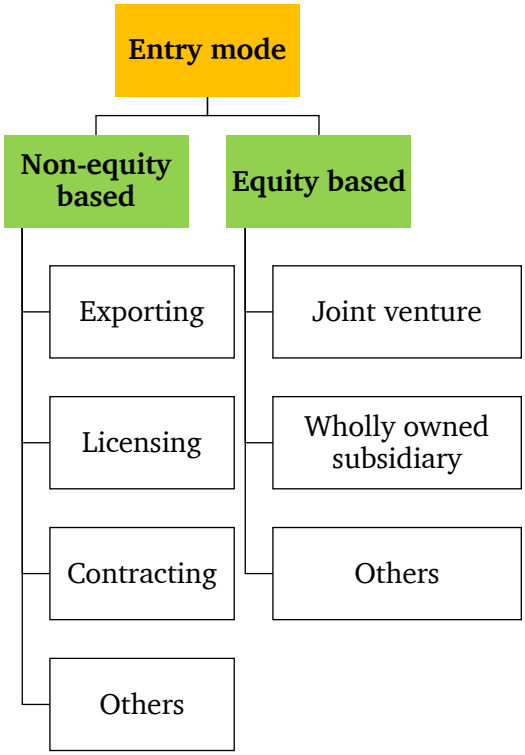
Source: Andersen (1997)

For the majority of firms, the international market entry decision is significantly related to the level of involvement. For the SMEs, selecting the most appropriate entry option represents a critical first step, as small firms might face the limitation of the existing network of international operations (Doole & Lowe, 2008). The involvement levels of international markets range from domestic purchasing to wholly-owned subsidiaries through various alternative market entry methods. Doole and Lowe (2008) discussed several criteria to select an appropriate and potentially successful market entry method:

- firm objectives and expectations
- firm size and financial resources
- existing foreign market involvement
- capabilities and management attitudes towards internationalization
- competition level within the target market
- tariff and non-tariff barriers and foreign country-specific constraints
- the nature of the product
- timing

The fundamental aspects for firms to make an entry decision are normally relevant to the level of risks, control, and costs. Peng (2009) describes that there are two major types of market entry modes: equity mode, e.g. joint venture and wholly-owned subsidiaries; and non-equity modes, e.g. export and contractual agreement.

Figure 15. Foreign market entry modes



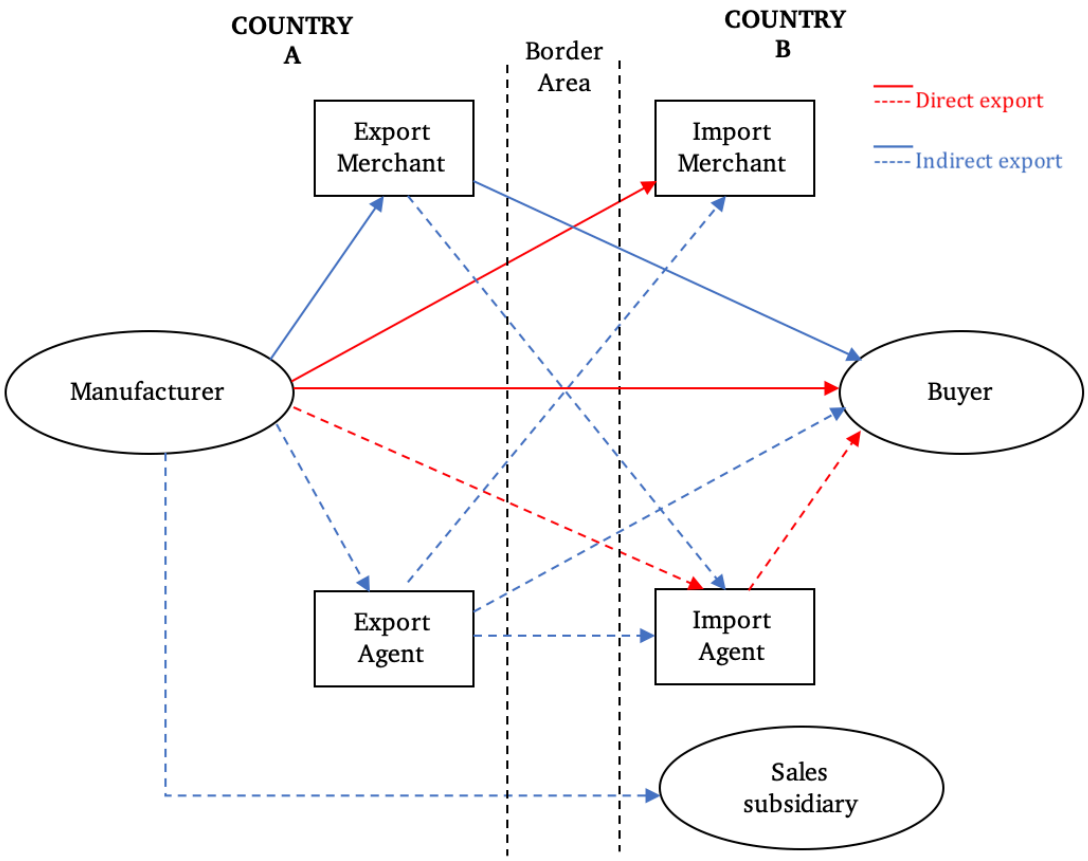
Source: adapted from Peng (2009)

Export

Export is a practice that firms produce products in their home country or a third country and sell to other countries and is the favored mode of SMEs engaging in international markets. Export is the most popular foreign market entry mode for firms because it requires fewer resources, has little effect on the existing operation, and involves low investment and financial risk (Leonidou, Katsikeas, & Samiee, 2002). When choosing export as an entry mode, firms engaged in export usually have two options: direct, and indirect exporting (Root, 1994). Another type of export, called cooperative export, is considered similar to direct export but involves a number of firms to produce and export the collected products. Similarly, Peng and York (2001) also defined that exporting firms have two-channel options: (1) export directly to customers abroad or (2) export indirectly through an intermediary. Indirect exporting can be defined as "sourcing or distribution agreements with intermediary companies who manage, on their behalf, the transaction, sale or service with overseas companies" (Fletcher, 2004). In Root's

famous book 'Entry Strategies for International Markets', he stated that the 'key distinction among these alternative options is the presence or absence of independent export agencies in the home country' (Root, 1994). According to Pend and York (2001), the export intermediaries are ranging from freight forwarders, customs brokers, and trading companies in the exporting country; to manufacturer's representatives and distributors in the importing countries. Compared to direct export mode, indirect export usually associates with a lower level of risks and committed resources to the internationalization path. Still, more competitive firms might not rely on the middlemen in the local market but rather seek a direct export channel. This entry mode allows firms to build up their network and better control over the distribution network and with their customers abroad. The basic forms of direct and indirect export describe how exporting firms carry out the transactions flow between themselves and other parties (Albaum et al., 2008). The illustration of the two approaches shows an overview of the paths that export happens.

Figure 16. Dynamics of direct and indirect export



Source: Albaum et al. (2008)

Direct export

The direct exporters sell the products or services with direct contacts in the foreign target market. Different from indirect exporters, direct exporters must handle all export-related activities, thus having better control over the distribution (Reynolds, 2003). The direct exporters often have potentially greater sales and profits than with the indirect exporters (Yoshino & Rangan, 1995) but also need longer time to market as opposed to indirect exporters (Foley, 2004). Direct export allows firms to a more permanent long-term place in the international markets with a more proactive commitment of time, resources, and supporting activities (Doole & Lowe, 2008).

Direct export implies that firms take full responsibility for making available their products in targeting the foreign market, while indirect export is defined as using an independent intermediary operating in the local market to handle all exporting activities (Peng & York, 2001).

Some advantages of direct export are perceivable as control of price, control of the brand, direct associate with customers, and possible to receive product feedback. While disadvantages of direct export are observable as a high investment of time and costs, normally requiring having foreign subsidiaries, and foreign market knowledge required.

Indirect export

Indirect export is the process of exporting through exporting agents such as the trading companies or the export intermediaries. The indirect exporting firms often do not involve in foreign sales and thus often have no control over its products in the foreign market. Indirect export has the advantage of the least cost and risk among other foreign entry methods (Doole & Lowe, 2008). In the global value chain, the contribution of indirect export is often not documented. As it is also possible that the domestic firms may not be aware that its products are being sold to foreign markets. According to Doole and Lowe (2008), indirect export can use four main methods:

(i) domestic purchasing: buyers from a foreign organization purchase the product at the factory gate and take on the task of exporting, which is similar to the case of export merchants.

(ii) an export management company (EMC) or export house acts as an export-department for a range of companies, especially support SMEs to join the international sales. EMC is similar to the role of export agents. EMC functions based on commissions basic and it can have contracts with several manufacturers.

(iii) piggyback operation: an established international distribution network of one manufacturer might be used to carry the products of a second manufacturer. The carrier can get a commission or buy the product outright. Piggybacking occurs when two products are normally interdependent.

(iv) trading companies: traders of a big company, e.g. the United Africa Company of Unilever; or a government, e.g. Sogo Shosha of Japan. They have extensive operations and contacts to facilitate the distribution of industrial products globally.

Compared to direct export, the indirect export mode can access faster to the foreign market through the assistance of the trade intermediaries and also perceives lower risks in terms of costs and handling process (Peng & York, 2001). According to Peng and York (2001), indirect export usually associates with a lower level of risks and committed resources to the internationalization path compared to direct export mode. It happens that even large local enterprises still choose the safe route through indirect export to avoid complexity in the international market (Johanson & Vahlne, 1977). In the same manner, some studies indicate that industrial marketers are likely to use intermediaries to perform export functions initially, but as the industrial firm gains international experience, the more likely to adopt direct export methods (Tan, Brewer, & Liesch, 2007b).

The advantages of conducting indirect export typically relate to the speed of entry, using established distribution channels with low marketing and sales costs. While the disadvantages can be losing control over price and brand and perceive low inputs for

product development due to fewer market contacts. According to Hessels and Terjesen (2010), the motivation of using intermediaries in indirect export is (i) to find customers abroad, (ii) to diminish risk and uncertainty of operating abroad, (iii) to compensate for a lack of knowledge of certain markets within our organization, (iv) to save costs for drawing up of contracts with clients abroad, (v) to save costs for conducting market research, (vi) to save costs for enforcement of contracts with clients abroad.

Licensing and Franchising

Licensing agreement is a practice that a licensor grants the right to a firm in a host country in exchange for a certain return from the licensee. This is one of the intermediate entry modes that allows without capital investment selling the local production firm in foreign markets (Hill, 2008). The licensing is normally formalized under specific contractual terms between both parties. In the context of SMEs internationalization, licensing is seen as one of the low control modes, similar to export, which involves lower levels of commitment and higher transaction costs (Wright, Westhead, & Ucbasaran, 2007; Zahra et al., 2000).

Franchising is also an intermediate entry mode that the franchisor allows the franchisee to operate the business under the franchisor's name. The license normally includes trademarks, know-how, operating system, advertisement, and training. In return, the franchisor receives a certain fee.

Licensing and franchising have been adopted as small business internationalization entry modes, among other choices when considering the trade-offs between risks and returns, resource availability, and capabilities of control in the foreign market. In the international business literature, licensing and franchising are addressed in the internalization advantages theory, explaining why firms pursue a strategy of licensing to operate abroad instead of direct investments.

Contract manufacturing

In the industry, the term contract manufacturing was usually known as outsourcing. However, compared to outsourcing, contract manufacturing has been enormously

developed to serve the global business processes for manufacturing. This practice is a business deal between the original equipment manufacturer and the contract manufacturer. This entry method allows firms to handle over production responsibilities to the local firm and focus on sale service issues. The reason that firms outsource their production to other firms is to benefit from a lower cost of manufacturing. Thus, contract manufacturing is seen as a good strategy that helps internationalizing firms focus on their core competencies (S. Cohen & Roussel, 2005).

In the context of globalization, the contract manufacturers have turned from a cheap-labor based to advanced-technology based and play an important role in supply chain management. The explicit concept of contract manufacturing is defined as a provider of goods and services working collaboratively with other providers of goods and services as networked business partners to satisfy market niches by exchanging information through an inter-organizational information system (Chan & Chung, 2002). Evidence from manufacturing SMEs also confirms that contract manufacturing, or sub-contracting, becomes an appropriate practice in the supply chain management when firms have to deal with supply chain uncertainties under resource constraints (Bayraktar, Demirbag, Koh, Tatoglu, & Zaim, 2009). Today, rapid changes in the global business context make contract manufacturing as an appealing and emerging platform accelerating SME internationalization.

Joint venture

A joint venture happens when two or more firms build a business entity that involves shared ownership, shared benefits, shared risks, and is legally separate from the parent firms. A joint venture is also an intermediate entry mode that has been studied to explain firm motivation from the perspectives of transaction costs (Kogut, 1988). Various factors such as political, technological, and financial have boosted the establishment of joint ventures in the international markets (Killing, 2013). In the manufacturing sector, joint ventures have been good opportunities for SMEs to develop partnerships, acquire new skills, and improve existing ones (Terziovski, 2010). Within the discussion of joint ventures and its benefits, O'Regan et al. (2006) acknowledged that joint ventures are a means of sharing risk and maximizing the use of limited

resources. Thus, the international joint venture is a form of strategic alliance and important means of international expansions for SMEs (J. W. Lu & Beamish, 2006). Since the major trend of globalization has been started in the early 90s, joint ventures have become a popular internationalization strategy, enabling SMEs with limited resources for foreign market serving (Kirby & Kaiser, 2003).

Direct investment

According to the World Bank database, the net inflows of global foreign direct investment in 2016 reached 2.436 trillion USD (IBRD, 2016). The record value was made in 2007, reaching 3.099 trillion USD. Foreign direct investment (FDI) takes place when a corporation in one country establishes a business operation in another country, through setting up a new wholly-owned affiliate, or acquiring a local company, or forming a joint venture in the host economy (Moran, 2012).

Foreign direct investment has long been a subject of interest (Lizondo, 1993) and is seen as an important vehicle to the technology transfer to the host country (Borensztein, De Gregorio, & Lee, 1998). The role of FDI in domestic economic development has received some controversial perspectives. It has been suggested that FDI robustly increases local productivity, especially in developing and transition economies (Havranek & Irsova, 2010). Others also argued that FDI contributes to economic growth only when there is sufficient absorptive capacity in the host country (Borensztein et al., 1998), or only produces positive productivity spillovers with the domestic firms with shared domestic and foreign ownership (not fully owned foreign investment) (Smarzynska Javorcik, 2004).

3.3.3 Foreign market entry decisions

The need for internationalization among SMEs directly links with survival (Lee, Kelley, Lee, & Lee, 2012) in the global business context. The choice of foreign market entry modes is a critical factor in determining firm success which requires proper management's decision (Nakos & Brouthers, 2002). Due to the smaller size compared to MNEs, SMEs often have fewer resources (Nakos & Brouthers, 2002) but are more flexible to adapt to different market conditions (Gassmann & Keupp, 2007). Thus, it

becomes particularly strategic for SMEs to expand to foreign markets avoiding vulnerable costs and failures.

Since the 80s, several studies examined the foreign entry expansion behavior and decision-making process, e.g. export-decision making studies (Reid, 1981). In the early 2000s, Koch (2001) developed an entry mode selection process model (MEMS) to understand two angles of international business: market selection and market entry mode selection. Besides internal and external influencing factors, the Koch's model notices that the diversifications of firm sizes, individual industries, and the changes in the global market also affect a firm's entry mode selection.

Today, SMEs represent the majority in terms of the number of firms in most countries. The number of SMEs participating in cross-border sales has risen. Resource constraints remain as difficulties as characteristics of SMEs internationalization. Although the entry mode of firms has been studied for decades, it is still considered as one of the most important research areas on SME internationalization (Andersson, Evers, & Kuivalainen, 2014). To further understand foreign market entry mode choice, the next section focuses on the study of export mode and its drivers as a contribution of SMEs internationalization theory.

3.4 Proposed research model for further research on firm internationalization

Incremental internationalization models acknowledge the importance of resource availability in the internationalization process. To exploit international opportunities, firms should possess appropriate resources (Hitt et al., 2006). SMEs typically have inadequate information, capital, management, and experience, while they export. This makes them vulnerable to environmental uncertainties (Buckley, 1989). Such deficiencies in resources and capabilities impose constraints on the internationalization of SMEs (Zacharakis, 1997).

In an effort to further challenge the stage theories, Bell (1995) suggested that neither the stage theories nor the network approaches fully explain the internationalization process. Instead, the export behavior and the internationalization process among small firms are impacted mainly by the characteristics of the export sectors. Adding to this

point of view, Osei-Bonsu (2014) confirmed that there are inconsistencies in the predictions of the mainstream models of internationalization when conducting empirical studies of manufacturing SMEs in developing countries.

According to Brouthers et al. (1999), they argued that the stages theory and the network theory provide a descriptive explanation based on empirical studies, while the eclectic paradigm only gives a prescriptive and normative explanation. Under the network perspective, Johanson and Mattsson (1994) agreed that internationalization is more emergent when interactions of multi-players in the market are taken into account. On the other hand, stage theory or behavioral theory (U-model and I-model) is more about the learning process that increases knowledge and foreign market commitments (Johanson & Vahlne, 1990). The resource-based theory is figured out to be the best linkages connecting both stages and network theories as firms learn gradually through the development of networks. The table below reviews the contemporary understanding of firm internationalization with the similarities and differences, indicating that the internationalization theory is still inclusive (Etemad, 2004), requiring further studies of this phenomenon.

Table 9. Similarities and differences of the internationalization theories

Assumption	**Stages approach**	**Network approach**	**RBV approach**
Market knowledge	✓		✓
Market commitment	✓	✓	
Rational planning process	✓		
Emergent and unplanned		✓	✓
Risk minimization	✓		✓
Relationship development		✓	
Predictive power	✓		✓
Resource heterogeneity			✓
Creation of competitive advantage		✓	✓
Managerial implications	✓	✓	✓
Static perspective	✓	✓	✓

Objective vs subjective worldview	✓	✓	✓
Descriptive explanation	✓	✓	

Source: Osei-Bonsu (2014)

Knowledge and information are critical resources for the internationalizing SMEs. They assist firms in reducing risks (Sharma & Blomstermo, 2003), enhance the establishment of new relationships (Guercini & Runfola, 2010), and help the firm to identify new market opportunities (Ellis, 2011). Managers require strategic choices with resource acquisition and capability to enhance export performance (Morgan, Kaleka, & Katsikeas, 2004). Accumulating resources internally is difficult for SMEs which requires excessive time and increases risk exposure (Etemad & Wright, 1999). This is even more challenging when firms move into foreign and unfamiliar markets (Calhoun, 2002; Lee et al., 2012; Zaheer, 2002). The organizational capability perspective has been introduced to explain entry mode choice as an alternative Madhok (1997), or a complement to transaction-cost theory (Aulakh & Kotabe, 1997). Different from the transaction cost theory considering cost minimization when selecting foreign entry mode, the capabilities perspective focuses on explaining firm capabilities and resources pursuing foreign market expansion. Under this point of view, the capability perspective, which is rooted in the resource-based view theory (Karlsen, 2007), can be looked up further to explain the internal and the external aspects of the international development of firms, especially for the SMEs.

3.4.1 Capabilities and resources as drivers of export

It has been acknowledged that the existing theories on firm internationalization are still limited to explaining the internationalization process, especially the international expansion differs among industry sectors and economies (Griffith, 2017; Pisani, 2009).

Export is the predominant mode of internationalization for most SMEs engaged in the international market (Calia & Ferrante, 2013; Etemad & Wright, 2003). However, it becomes more difficult for firms to improve their performance as the international

environments show a higher degree of dynamics and complexity (Reuber, Dimitratos, & Kuivalainen, 2017).

Existing literature and empirical studies acknowledge that the lack of capabilities of SMEs is among the major obstacles for their internationalization (Eberhard & Craig, 2013). The international business studies and market expansion theories (e.g. Hill, 2008; Zahra, Ireland, & Hitt, 2000) have focused on expansion strategies as a central topic of research, but have a lack of incorporating the context, the dynamics and the variety of the phenomena (Reuber et al., 2017).

Internationalizing firms and the international market entry theory SMEs may use a variety of foreign market entry modes that vary significantly concerning benefits and costs (V. M. Sharma & Erramilli, 2004). When choosing export as an entry mode, literature has been reviewed that firms engage in exporting usually have two options: direct, and indirect exporting (Root, 1994). Kumar and Subramanian (1997) acknowledged that the entry decision is a complex process and that each decision has its own merits and disadvantages. Explaining different degrees of internationalization, e.g. (Cavusgil, (1984), becomes important, especially when the SMEs committed to the exporting stage facing various aspects on their exporting choices (Hessels & Terjesen, 2010).

There are needs for business scholars to focus on the emerging themes of international business and offer more empirical-based insights. From a practical point of view, firm managers should focus much more on understanding their actual process to deploy proper types of resources. However, relatively little attention has been paid to differences in the pattern of resources utilization by SMEs in the process of internationalization (Tang, 2011). Different forms and scopes of information are associated with particular patterns of resources that assist SMEs internationalization (J. Child & Hsieh, 2014). Some evidence has acknowledged the value of being diverse with external alliances. Smaller firms benefit more from openness than larger firms (Vahter, Love, & Roper, 2014). Cavusgil and Knight (2015) discovered that early internationalization occurs despite scarce company resources and experience. Early

internationalization firms overcome challenges by leveraging unique capabilities and strengths from non-traditional organizational resources and dynamic capabilities.

The RBV theory which focused on firm strategic management and competitive advantage argued that superior performance derives from capabilities and resources (J. Barney, 1991). By definition, capabilities are referred to as a special type of resource which can improve the productivity of a firm (Makadok, 2001). Similarly, Helfat and Peteraf (2003) defined organizational capabilities as the ability of an organization to perform or coordinate sets of tasks, utilizing organizational resources to achieve a particular result. Given the contextual differences between the local and international markets, SMEs engaged in export face challenges to adjust their resource configurations to support cross-border activity (Hitt, Hoskisson, & Kim, 1997). Firms need capabilities to deploy their assets and coordinate their activities (DeSarbo et al., 2005). Studies that invoke process arguments for internationalization tend to depict capability as causal influences on the speed, scope, and effectiveness of internationalization efforts (Zahra et al., 2000). This issue raises two questions: What are the essential capabilities that exporting SMEs demand for their internationalization concerning the constraints on firm resources? Are the current capabilities of firms sufficient to give firms sustainable competitive advantages in a dynamic and rapidly changing environment?

Operational capabilities

The literature supporting the field of organizational capabilities has accepted that organizational capabilities range from the operational capabilities to dynamic capabilities (Verreynne, Hine, Coote, & Parker, 2016). According to Winter (2000), operational capabilities are defined as 'a high-level routine or collection of routines that, together with its implementing input flows, offer upon an organization's management a set of decision options for producing significant outputs'. That means, operational capabilities involve production activity, such as manufacturing, executing, and coordinating the variety of tasks required (Helfat & Peteraf, 2003) to make a firm functioning. Later, Helfat and Winter (2011) added that an operational capability enables a firm to perform an activity on an on-going basis using more or less the same

techniques on the same scale to support existing products and services for the same customer population.

The view of operational capabilities is mostly linked to specific approaches of management and are key intangible assets that one cannot see through different management layers of the company. However, operational capabilities deliver outcomes, in the ways that humans and resources are brought together to accomplish work (Ulrich & Smallwood, 2004). The development of capabilities is embedded within the firm over long periods, involving complex and intricate processes (Grewal & Slotegraaf, 2007). In line with this view, Zollo and Winter (2002) suggested that the learning processes develop over time to distinguish operational capabilities and dynamic capabilities of a firm. Although, to some extent, Helfat and Winter (Helfat & Winter, 2011) discussed that the line between operational capabilities and dynamic capabilities is unavoidably blurry with regard to change as the world is always changing, suggest further research to take this issue into account. To compare, Helfat and Winter (2011) explained that operational capabilities are those that enable a firm to make a living, and dynamic capabilities are those that enable a firm to alter how it currently makes its living. In knowledge-based management research, operational capabilities are impacted by dynamic capabilities (Cepeda & Vera, 2007). Recently, Ian and Bititci (2015) provided a comparative summary of different categorization of organizational capabilities, focusing on different levels of capabilities.

Table 10. Different categorization of organizational capabilities

Collis (1994)	**Winter (2003)**	**Zahra et al. (2006)**	**Ambrosini et al. (2009)**
First category capabilities	Zero-level capabilities	Substantive capabilities	Resource-based
Second and third category capabilities	First-order capabilities	Dynamic capabilities	Incremental dynamic capabilities Renewing dynamic capabilities
Meta capabilities	Higher-order capabilities		Regenerative capabilities

Source: Ian and Bititci (2015)

The empirical measurement of operational capabilities started with Hall (1993) when he developed a framework linking intangible resources and capabilities to sustainable competitive advantage. The intangible resources reviewed regulatory and positional capabilities, while functional and cultural capabilities are concerned with competencies. Cepeda and Vera (2007) further developed Hall's scales to measure operational capabilities, which were constructed into 5 dimensions: regulatory, positional, functional, cultural, and knowledge-based value creation. In the research of international entry and expansion of firm-based capability point of view, Dornberger and Nabi (2013) measured the construct of basic operational capabilities based on four main components: human resources practice, organizational routines capabilities, technology capabilities, and marketing capabilities. This study adopts this measurement of basic operational capabilities from Dornberger and Nabi (2013) and further develops this construct based on subsequent empirical investigations.

Dynamic capabilities

The higher-order dynamic capabilities, as an extension to the resource-based views (Ambrosini & Bowman, 2009), can essentially enhance firm strategic flexibility and responsiveness (Sapienza, Autio, George, & Zahra, 2006). Dynamic capabilities as a potential for strategic change distinguished itself with the lower-order operational capabilities, which represent organizational routines and practices for executing day-to-day tasks in the firm. Teece (2007) shows that the dynamic capabilities necessary to sustain firm performance can be categorized into 3 levels: sensing, seizing, reconfiguring. Dynamic capabilities were identified by looking at firm capabilities to seize the business opportunities, to understand their competitors, to access technology and financial commitment, to manage adaptive flexibility, and to align with existing resources. The table below summarizes some key definitions of the dynamic capabilities concept.

Table 11. Key definitions of dynamic capabilities

Author	Definition
Teece (1997)	Firm ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments
Eisenhardt and Martin (2000)	Organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, divide, evolve and die
Zollo and Winter (2002)	A learned and stable pattern of collective action through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness
Winter (2003)	Defining ordinary or 'zero-level' capabilities as those that permit a firm to 'make a living' in the short term, one can define dynamic capabilities as those that operate to extend, modify, or create ordinary capabilities
Zahra et al. (2006)	The abilities to reconfigure a firm's resources and routines in the manner envisioned and deemed appropriate by the firm principal decision-makers
Wang and Ahmed (2007)	A firm behavioral orientation constantly to integrate, reconfigure, renew, and recreate its resources and capabilities and, most importantly, upgrade and reconstruct its core capabilities in response to the changing environment to attain and sustain competitive advantage
Helfat et al. (2007)	To survive and prosper under conditions of change, firms must develop the "dynamic capabilities" to create, extend, and modify how they operate
Ambrosini and Bowman (2009)	Extends the resource-based view argument by addressing how valuable, rare, difficult to imitate and imperfectly substitutable resources can be created and how the current stock of valuable resources can be refreshed in changing environments
Tallman (2015)	Complex systems of actions and resources that are directed at renewing the operational resources and capabilities, the core competencies, of the firm

Source: own compilation

In export activities of SMEs, it has been suggested that dynamic capabilities are required as a condition to implement firm management practices and improve export processes (Villar, Alegre, & Pla-Barber, 2014). The notion of higher-order dynamic capabilities was argued to have positive links with firm internationalization performance (Prange & Verdier, 2011), but have not yet fully explained differences in firm growth and survival. Not only that, but the limited measurement of dynamic capabilities on a strategic level (Verreynne et al., 2016) also requests to understand more how the firm

embraces the capabilities and differentiates itself from the other competitors being first in the market.

Although there is an increasing range of conceptual elaboration and frameworks that support the validity of dynamic capabilities, the empirical studies of dynamic capabilities are limited (Ambrosini & Bowman, 2009). The reason for only a few empirical studies in the dynamic capabilities field (Pablo, Reay, Dewald, & Casebeer, 2007) is due to the relatively young theoretical development of dynamic capabilities started by Teece et al. (1997).

Table 12. Some key empirical studies of dynamic capabilities

Author	Approach	Focus of the study	Sample
Helfat (1997)	Quantitative	The role of complementary know-how and other assets in relation to R&D capabilities	26 American energy firms
Pisano (2000)	Qualitative	The role of organizational learning in capability building in the project development context	Case studies of 4 biotech firms
George (2005)	Quantitative	Effects of experiential learning on the cost of capability development	Data from Wisconsin alumni research foundation
Pablo et al. (2007)	Qualitative	Examining how a public-sector organization developed a new strategic approach based on the identification and use of an internal dynamic capability	75 interviews, 20 conferences, and 45 meetings
Ellonen, Jantunen and Kuivalainen (2011)	Qualitative	Focusing on how different types of dynamic capabilities (sensing, seizing, and reconfiguring) all have an impact on the development of market and technological capabilities	14 interviews and secondary data
Pavlou and El Sawy (2011)	Quantitative	Identify a set of capabilities including sensing, learning, coordinating, and integrating hat help reconfigure existing operational capabilities into new ones that better match the environment	Two studies on new product development managers with 386 (i) and 121 (ii) surveys
Protogerou et al. (2012)	Quantitative	Exploring impact of dynamic capabilities in firm performance	271 surveys

Li and Liu (2014)	Quantitative	Impact of dynamic capabilities on competitive advantage, and environmental dynamism	Survey of 217 Chinese firms
Schilke (2014)	Qualitative and Quantitative	Explaining the relationships between firm competitive advantage and environmental dynamism	13 interviews and 279 surveys
Wang et al. (2015)	Quantitative	Examining the effects of success traps on dynamic capabilities and firm performance	113 UK high-tech SMEs
Breznik and Lahovnik (2016)	Qualitative	Highlighting dynamic capabilities as a source of competitive advantage in IT firms	Case studies of 6 IT firms

Source: own compilation

Ambrosini and Bowman (2009) suggest a model exploring dynamic capabilities as a value creation process based on the relationships with the internal and external enablers and inhibitors. The internal factors relate to firm assets while the external factors relate to the markets and institutional environment. This study adopts the dimensions of dynamic capabilities proposed by Teece (2007) and two additional reviewed dimensions including leveraging and transformation (similar to reconfiguration (Ambrosini & Bowman, 2009). These additional dimensions argue that once a firm decides to seize its business opportunity, it still needs resources and a modified operational system to scale up and properly maintain its competitiveness at the same time. This continuous renewal process, e.g. product standardization or technological modernization, allows firms to sustain competitiveness and enable critical effectiveness of the long-run performance.

Network resources

Being a focus of this study, network utilization involves different types of business networks and relationships during firm transitional processes from non-exporting to exporting. Firms' network resources acknowledge the role of their business partnerships and their different degrees in maintaining and developing these external relationships. Adding to the industrial network approach, this study does not only point out

organizational networks but also covers the social networks that firms mobilize during their internationalization process.

In the context of small firms, the use of networks as fundamental to support internationalization in the early-stage of international new ventures received much attention (Coviello, 2006). It has been argued that firm social networks and relational capital drive firm competitive advantage by creating and sharing knowledge (Nahapiet & Ghoshal, 2000). However, it is also argued that knowledge about the role of various networks in the internationalization process is limited (Musteen et al., 2010). Less attention has been paid to differences in the pattern of network utilization by SMEs in the process of internationalization (Child & Hsieh, 2014; Tang, 2011). Although evidence from SMEs studies suggests that networks play an important role, the dynamics of networks utilization in company growth are not well-captured (Maurer & Ebers, 2006). Moreover, the literature on institutions varies between developing and developed markets as most developing markets suffer from institutional weaknesses and market failures (Khanna & Palepu, 2010; Douglass C North, 1990). Furthermore, some studies show that locational factors impact the internationalization strategy of firms (Dunning, 1998; Rugman, Verbeke, & Nguyen, 2011).

Networks, seen as external resources, are considered as important facilitators to SMEs internationalization. They contribute access to new markets and business opportunities (Street & Cameron, 2007). Networks are important facilitators for learning, acquiring knowledge, gaining experience (Hohenthal et al., 2014), and understanding different market characteristics (Chetty, 2000). Information sharing on foreign market opportunities among networked firms and individuals can increase firms' chances of internationalizing successfully (Zhou et al., 2007). By providing access to essential resources, skills, and knowledge controlled by others, networks facilitate avenues to access and mobilize a broader resource base external to the boundaries of the firms (Child & Hsieh, 2014).

Table 13. Review of existing literature on network typologies

Authors	Network typologies
Greene et al. (1997)	human, social, organizational, physical, and financial networks
O'Donnell et al. (2001)	Institutional network environment
Dahl and Pederson (2004)	Informal contacts
Harris & Wheeler (2005)	business partner or informal
Zain & Ng (2006)	customers, suppliers, competitors, government, distributors, bankers, families, friends, or any other parties that enable the firm to internationalize its business activities
Fletcher (2008)	social network, regional network, technological network, institutional network, infrastructural network, and market network
Evers & O'Gorman (2011)	social or business
Oparaocha (2011)	Institutional network environment
Kontinen & Ojala, (2011)	personal or formal
Hohenthal et al. (2014)	customers, suppliers, competitors and public and private support agencies, friends, and family members

Source: own compilation

In a study of informal networks in the development of regional clusters in Denmark, Dahl and Pederson (2004) found that contacts represent an important channel of knowledge diffusion in industrial clusters. It was noted that there are five distinct types of resources applicable to small firms: human, social, organizational, physical, and financial (Greene et al., 1997). Related to these resources, this study conceptualizes network patterns engaged by the SMEs in different modes of export. The intensity of interaction between the firms and different actors in their networks was investigated, the importance of each network actor counts. The engaged actors are e.g. trade associations, financial institutions, knowledge institutions, business associations, government agencies. The specific objective is to highlight these networks utilization by conducting qualitative, multiple cases to fulfill our understanding in the analysis of export-related firms. This focus, on one hand, visualizes the SMEs necessary resources

mobilization in an emerging economy, on the other hand, yields potential assessment referring to the SMEs capabilities to facilitate exporting activities.

3.4.2 SMEs mode choice of export engagement

SMEs may use a variety of foreign market entry modes which vary significantly concerning benefits and costs (V. M. Sharma & Erramilli, 2004). The selection of direct export mode has more to deal with the external environment and is potentially associated with sales and profit. With a fast exporting growth rate and many foreign investors in Vietnam, companies practice with different choices. Some studies pointed out that even large local enterprises also choose indirect export as an option due to less complexity in cross-border activities (Tan, Brewer, & Liesch, 2007). However, SMEs have flexibility and survival demand, more likely to take risks to be more competitive and sustainable. Some studies indicate that industrial marketers are likely to use intermediaries to perform export functions initially, but as the industrial firms gain international experience, the more likely to adopt direct export methods (Tan et al., 2007).

In the explanation of international entries, several studies (Dornberger & Nabi, 2013; Keen & Wu, 2011; Thai & Chong, 2008; Vissak, 2007) illustrate a sequence of organizational changes that occur during exporting activities e.g. no regular export activities, export via independent representatives, sales subsidiary and production/manufacturing. In each stage of export, manufacturers absorb export functions differently due to different resources and market requirements. The five stages of Ford's relationship model and the internationalization model of Cavusgil (1984) also explain the different degree of internationalization, including domestic market focus stage, pre-export stage, experimental exporting involvement stage, active exporting involvement stage, and committed exporting involvement stage when firms depend heavily on foreign market intending to test and develop various aspects on exporting choices (Hessels & Terjesen, 2010). In this study, indirect exporting firms use local independent agents and direct exporting firms directly sell their goods to buyers in the foreign markets.

In international trade, the contribution of SME direct and indirect export represents different percentages of total sales. In 2016, it was reported that direct export manufacturing SMEs in developing economies account for only 7.6 percent of total SMEs sales, while large manufacturing firms have nearly twice that amount (WTO, 2016). On the other hand, the calculations for manufacturing SMEs in indirect exports in developing countries account for 2.4 percent of total sales (WTO, 2016). Estimates suggest that the participation of SMEs indirect exports of services in developing countries is higher than the SMEs direct exports, but not higher in the manufacturing sector, as compared to direct exports which require product standards, certifications, and tariffs. The extended value chains in the home country, such as the availability of exporting intermediaries and the innovation of commercial platforms, enhance indirect exporting SMEs participation in the service sector.

The table below summarizes the empirical studies that are related to distinguishing the two exporting modes of SMEs. The findings regarding key empirical studies comparing direct and indirect exporting SMEs are relatively rare, which is in line with the suggestion of Tan et al. (2018) to further study these two export entry options.

Table 14. Empirical studies pertinent to SMEs direct and indirect export since 2001

Author	Approach	Focus of the study	Sample
Acs et al. (2001)	Qualitative	the role that governments in assisting and influencing the international expansion of domestic firm, especially direct export	drawn from Canada export development corporation
Peng and York (2001)	Quantitative	export intermediary performance	166 export intermediaries
Agndal and Cheety (2007)	Qualitative	market strategy changes	20 New Zealand and Swedish exporting SMEs
Pinho (2007)	Quantitative	the drivers and inhibitors of an entry mode decision, namely location-specific advantages, and managerial characteristics	87 Portuguese SMEs
Jansson and Sandberg (2008)	Mixed method	integrate internationalization process theory with industrial network theory to explain SME entry in emerging markets	a case study of 10 SMEs and a survey of 116 Swedish SMEs
Hessels and Terjesen (2010)	Quantitative	explain the choice between a direct and an indirect export mode	871 Dutch SMEs
Bernard et al. (2011)	Quantitative	intermediaries in international trade	all cross-border transactions performed by Italians firms from COE dataset 2000-2007
Fernández and Díez (2014)	Quantitative	export strategic decision and the impacts of intangible resources, quality, firm size, international experience	177 Spanish Agri-food firms

Source: own compilation

Comparing direct and indirect export is challenging as there are limited available data. According to a study of SMEs exporting activities in OECD countries, SMEs account for a larger share of value-added in international trade when indirect exports are taken into account (OECD, 2018b). The study listed that supplying goods and services to large exporting firms is one of the means for indirect export SMEs to take benefits from the

global value chains. For example, SMEs account for less than 15 percent of gross export in Mexico but added up to 30 percent of total export values (OECD, 2018b). Similarly, only 3 percent of the total value-added generated by independent micro SMEs in Sweden is exported directly, while an additional 18 percent of their value-added is indirectly embodied in exports. This difference in terms of export contribution among SMEs suggests that the role of SMEs as indirect exporters is significant and should be distinguished with direct exporters.

As an emerging economy with fast export growth rates, the number of Vietnamese SMEs that are involved in export activities is also growing. It has been unofficially reported that the ratio in choosing between direct and indirect options is nearly equal (Kamali, 2017). While other statistics, e.g. Lopez-Gonzalez (2017) reported that the share of SMEs manufacturing exports contributed by direct and indirect export is 14 percent and 6 percent respectively. The statistics from the general statistics office of Vietnam (GSO, 2018b) exhibits a significant difference between the domestic enterprises and the FDI in terms of contributing sector and exporting product value. The FDI contribution is three times higher than the domestic contribution. Thus, the domestic manufacturing exporters lag behind FDI exporters as they are associated with low value exporting products and indirect export options.

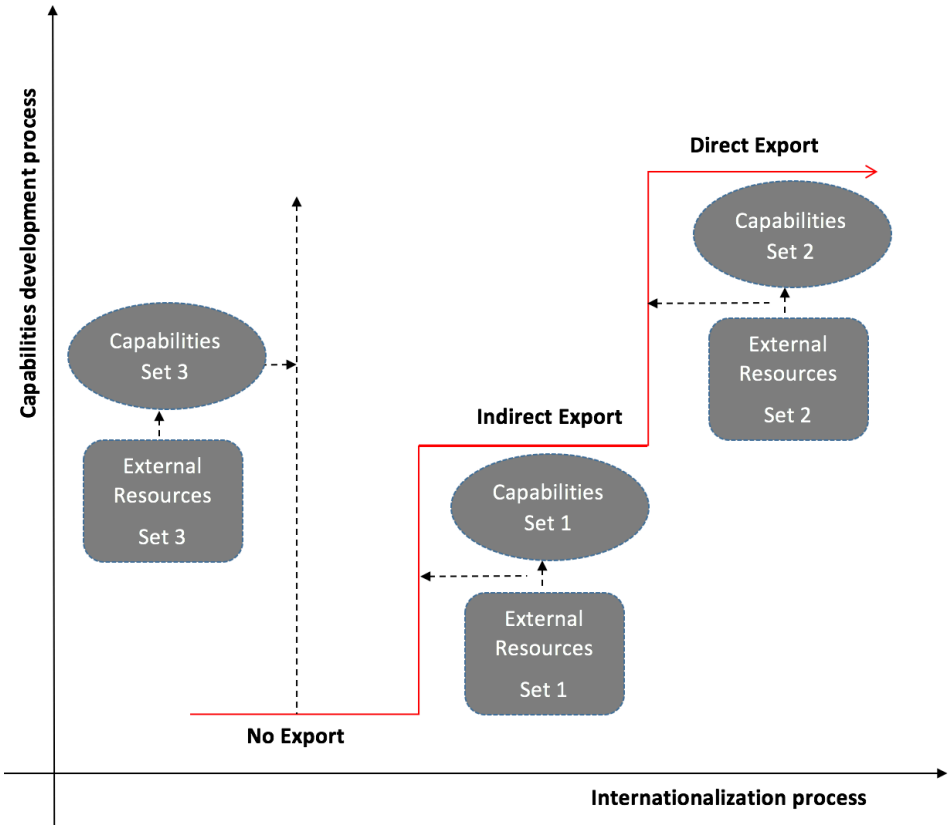
An emergence of studying different firm mode choices of export engagement has been discussed. The rationale of investigating capabilities and resources as drivers of export has been deliberated. Aside from the empirical studies of Hessels and Terjesen (2010), very few theory arguments have been tested to explain the choice between direct and indirect export modes of the SMEs. To understand each export option that SMEs engage in, adding a non-export stage before the decision of conducting direct or indirect export option is necessary.

The initial phase of the proposed theoretical framework of this research aims to investigate three types of manufacturing firms: non-exporters, indirect exporters, and direct exporters. The explorations focus on examining capabilities development and network patterns of SMEs in different modes of export. For non-exporters, they have two options to start exporting: indirect or directly, thus requiring two sets of resources

and capabilities for each mode. For indirect exporters, there is also a set of resources and capabilities to make direct export becoming feasible.

Based on the above discussion regarding export mode choices, capabilities and resources, the proposed research model for further empirical investigation is illustrated below.

Figure 17. SMEs export mode choices, capabilities, and resources utilization



Source: own development

4 RESEARCH METHODS

In this chapter, the general description of the research approach, the research strategy, and the research design will be given. A brief discussion of the rational selection of research methodology and its scientific nature will be given to justify the appropriateness of the research methodology. An overview of the research process which was undertaken in the two-step approach will be described. The differences of first-phase approach and second-phase approach will be explained in detail, starting from the goal of studying the research objectives to the paradigm of mixed-method research. The first phase follows a qualitative approach, conducted using exploratory in-depth interviews. The second phase uses a quantitative approach, conducted using confirmatory administration surveys. The research design of these empirical studies aims to ensure the research quality and implement verification strategies for validity, reliability, and generalizability.

4.1 Research strategy

Research strategy has been discussed broadly and mainly focused on the reselection of research methods such as a quantitative approach, e.g. a survey, or qualitative approach, e.g. case studies (Chetty, 1996; Eisenhardt, 1989a; Yin, 2017). A decade ago, it has been reported that the majority of the published articles in international business leading journals are quantitative papers mainly using surveys, accounting for 60.9 percent (Yang, Wang, & Su, 2006), while Andersen and Skaates (2002) reported 90 percent from the period 1991-2001. Similarly, Tiia Vissak (2010) testified that the quantitative method is frequently used in international business research and suggested the use of the qualitative method and its contribution to study the internationalization process.

Furthermore, an examination of the acceptance of mixed methods research across business and management fields uncovered that quantitative studies dominate with 76 percent, mixed methods 14 percent, and qualitative studies 10 percent (Cameron & Molina-Azorin, 2011). Their work acknowledged that mixed methods is relatively new

and merging in methodological movement, thus suggesting the use of mixed methods across different disciplines.

Table 15. Different research strategy in applied social research methods

Strategy	Form of research question	Requires control over behavioral events	Focuses on contemporary events
Experiment	How, why	Yes	Yes
Survey	Who, what, where, how many, how much	No	Yes
Archival analysis	Who, what, where, how many, how much	No	Yes/No
History	How, why	No	No
Case study	How, why	No	Yes

Source: Yin (1989)

4.1.1 Design rationale

This study implements a two-phase mixed-method approach with the combination of qualitative and quantitative research. In the first phase, the deductive-qualitative approach was conducted to understand the problems and identify the significant patterns of the research concepts. These patterns are developed to gain an in-depth comprehension of the research phenomena. According to Marie Hoepfl (Hoepfl, 1997), it is accepted in which interviews are conducted, then the data are coded and written in the formal language (Packer, 2017). In psychological research, it has been acknowledged that the use of interviews is also a ubiquitous way for researchers with a wide variety of perspectives and a range of phenomena in social sciences (Potter & Hepburn, 2005). Silverman and Atkinson (1997) indicated that 'we live today in an interview society'. Bogdan and Biklen (1992) likewise interpreted that 'most of us have conducted interviews, the process is so familiar that we do without thinking'.

The two-phase approach is considered fitting well in the context of international business since the business phenomenon is complex and the researcher might lack the experience to collect the precious information only through quantitative tools (Strauss

& Corbin, 1990). In the dictionary of key social science research concepts, Miller and Brewer (2003) provide critical guidance to use useful resources for conducting research, suggesting that qualitative research, e.g. interviews, can be used to develop items for quantitative research, e.g. a survey.

In recent mixed method approaches with the computer-assisted qualitative data analysis software (CAQDAS), such as MAXQDA which has been developed by Udo Kuckartz, he stated that the mixed-method approaches are to fully understand the problem and help to find the solution in many social studies (Kuckartz, 2010). According to Teddlie and Tashakkori suggestion regarding the integration of qualitative and quantitative methods, a mixed method approach is considered as a 'third methodological movement' (2011). Teddlie and Tashakkori believe that mixed-method research can add an important dimension to quantitative research and allows the researchers to discuss causal mechanisms as well (2011). Relevant to this 'third-paradigm' approach, Udo Kuckartz agreed that the use of mixed methods is a meaningful way to explore different perspectives, different research questions (2010). Nevertheless, he emphasized that the use of mixed methods can combine different methods in many social research projects. In the discussion about the combination of qualitative and quantitative methods (Kuckartz, 2010), three different approaches can be used:

- Triangulation
- Mixed methods
- Methodological integration

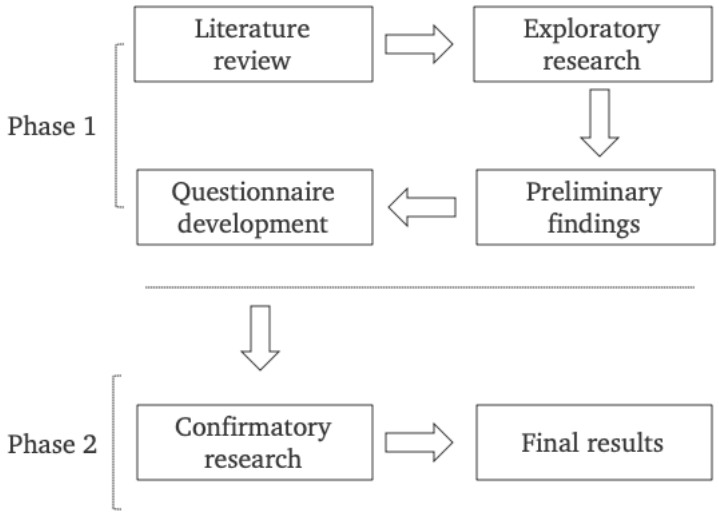
The first approach 'triangulation' and the second approach 'mixed methods' are often performed in practical research, while the third approach 'methodological' is more relevant to methodological orientation. Triangulation in social sciences is a technique that facilitates the validation of data which was first developed by Dezin (1978). Triangulation is a method of cross-checking data from multiple sources to increase the credibility and validity of the results (O'Donoghue & Punch, 2003). Mixed methods research is a combination of quantitative and qualitative research. In the last decade, a mixed method has been developed and refined to suit a wide variety of research

questions (J. Creswell & Clark, 2011) and provide a better understanding of the research problem.

This study applies the mixed methods approach. In the book 'Advanced mixed method research designs', Cresswell et al. (2003) differentiate different types of mixed method design based on four main criteria: implementation, priority, integration, and role of theoretical perspective. This study is designed based on the theoretical perspective, which means that the theory plays an implicit role from the starting point of the research project. The qualitative method was first conducted, then following with a quantitative method. This strategy is also in line with Kelle's approach regarding the choice of method: the method and techniques of data collection and analysis should be designed to sufficiently answer the research question (Kelle, 2007).

The figure below describes the two phases of the research.

Figure 18. Two phases of research



Source: own development

First-phase research approach

In the first phase, the research aims to explore the domain of firm networks and capabilities existed in the manufacturing firms, which felicitate the export-led internationalization process. A series of in-depth interviews were conducted with senior managers or business owners. The total number of interviews was not fixed planned, rather a range of eight to ten qualified interviews was expected to meet the information saturation point and preserve a worthy data set for analysis. Eisenhardt (1991) found that a multiple-case approach encourages the researcher to study patterns common to cases and theory and to avoid chance associations. She stated that in a multiple-case approach there is no ideal number of cases but recommend between four and ten. With fewer than four cases, the theory is hard to generate, and with more than ten, the volume of data is difficult to cope with (Tan, Brewer, & Liesch, 2007a). The findings were developed to confirm and expand the scope of the preliminary research domains into a measurable survey tool. The qualitative phase ensures the research meets the actual understandings of the study context, the respondent knowledge, and the quantifiable of the questionnaire. A low level of ambiguousness and unfamiliar terms are also considered during this process. The interview was in conjunction with the literature review to draft the first version of the questionnaire for the survey.

Second-phase research approach

In the second phase, the research aims to further strengthen the findings that are developed in the first research phase. A quantitative administration survey is employed. The findings correspondingly confirm the interrelationships and significant factors of each research domain that are discovered in the exploratory phase. During the confirmatory analysis process, discussions regarding these significant factors have been reflected in the exploratory phase. By combining fieldwork and literature-based insights, this phase aims to highlight relevant elements that are important in different modes of export. Compared to the qualitative approach, the quantitative approach intends to target a larger number of respondents from the field research. The figure below summarizes the two-stage approach, data collection method, field research period, number of samples, and analysis tools and techniques.

Figure 19. Summary of mixed research method approach

Stage	Study method	Data collection method	Field research period	Samples	Applied tools	Analysis technique
I	qualitative	in-depth interview	3.2016 – 5.2016	10	MAXQDA	thematic qualitative text analysis
II	quantitative	administration survey	10.2016 – 1.2017	72	SPSS	non-parametric

Source: own development

4.1.2 Research process

The research project was started in 2014 and completed in 2019. Some key processes in the art of writing the dissertation are highlighted in the research project timeline.

First of all, the research proposal was conducted from November 2014 to December 2015 after three PhD colloquiums. Later, the first field research was conducted from March 2016 to May 2016. The second field research was completed from October 2016 to January 2017. Following these steps, two conference papers have been submitted and presented at the prestigious international conferences in the field of international business and entrepreneurship. A major revision related to analytical modifications in the research project was done in May 2018.

At long last, the first PhD draft was delivered in Autumn 2018, subject to review and further development of the draft. In the end, the final version of the dissertation is submitted to the university faculty in Autumn 2019. The table below summarizes the key events of the research project.

Table 16. Research project timeline

	2014	2015	2016					2017			2018			2019	
	Nov	Dec	Mar	May	Sep	Oct	Dec	Jan	Feb	Sep	Apr	May	Sep	Aug	Sep
Proposal															
1st field research															
1st paper															
2nd field research															
Data analysis															
Thesis framework															
Scholarship extension															
Analysis revision															
Chapter writing															
2nd paper															
Draft submission															
Draft revisions															
Final version															

Source: own development

4.2 Phase I: Qualitative research approach

4.2.1 Qualitative research design

When formulating a methodological strategy, the philosophy that underpins the approach taken with the research is a chosen method (Yin, 1994). Although none of the methods has a legitimate status in the social research strategy because of its limitations of a well-structured protocol (Yin, 2003). In this stage, the research pursues the practice of qualitative methods. According to Mohr (2016), the approach of qualitative research is viewed as 'process theory', while the key strength of the quantitative approach is 'variance theory'. The process theory allows us to investigate the studying phenomenon in terms of people, situations, events, and the processes that connect these; explanation is based on an analysis of how some situations and events influence others (Maxwell, 2008). In the business context, using a qualitative approach enables the understanding of the sophisticated phenomenon which is not easy to be quantitatively interpreted (Bryman & Bell, 2015). One of the most popular scholars in research methodology, Kathleen M. Eisenhardt, affirmed the qualitative method as an approach to an in-depth understanding of the research objectives and theoretical concepts building in qualitative research (Eisenhardt, 1989a).

Often in social studies, qualitative research with the use of 'how' and 'why' questions can investigate the complex process or complicated relationships. Denzin and Lincoln (2011) stated that qualitative research involves an interpretive and naturalistic approach to the world. Qualitative researchers study things in their natural settings and the qualitative researchers attempt to make sense of interpreting a phenomenon in terms of meanings.

According to Mayan (2016), there are different data sources from conducting a qualitative approach, however, the phenomenon should be studied in-depth with a focus on a small sample. This method explores the meaning and interprets the complicated context (Bryman & Bell, 2015). Within business activities, many interactions are hard to quantify. The qualitative method serves to uncover the right things and provides a fruitful explanation (Mayan, 2016). John Hauser (1998) stated that spending time in the field and obtaining insight information from the manager is

necessary to develop any theory. His work indicated four main steps in the problem finding process: talk to the managers, find a paint fact, check the literature, and extend more questions to managers. This study is based on a qualitative method using in-depth interviews. The potential purpose is to explore the phenomenon. Within this aim, the study fulfills three main sub-purposes: to investigate the understanding of the phenomenon, to identify significant factors, and to generate hypotheses for further research.

The study applies semi-structured interactions in which the interviewer asks primarily open-ended questions and the informant provides unscripted answers. The semi-structured interviews normally consist of three important components: a formal interview conducted, an interview guide with a list of questions covered, follow-up questions. According to Bernard (2012), a semi-structured interview is the best option in social research when the researcher only gets a chance to interview someone. Bernard stated that the use of an interview guide needs to be covered in a particular order so that it allows the researcher to collect reliable and comparable qualitative data. Additionally, using semi-structured interviews works well when dealing with business managers or senior members of an organization. The involvement of open-ended questions, on one hand, demonstrates the overall control of the researcher, on the other hand, accommodates the contribution of the informants as they are able to freely express their opinions. Semi-structured interviews are generally recorded and then transcribed for analysis. In case the interview cannot be recorded, it is advisable to take note, however, this practice may distract the informant. Kvale (1996) discovered that the average number of interviews of qualitative work is from 5 to 25. Similarly, Griffin and Hauser (1993) demonstrated that 10-12 interviews produced about 70 percent of all information in a domain. Their study also shows that one-on-one interviews are more cost-effective than focus groups and that 20-30 interviews can reach 90 to 95 percent of the needed information. Recently, the number of interviews in qualitative research has to be done to meet the research objectives required differently.

According to Mason (2010), the use of qualitative interviews of PhD students normally stops sampling when the number of samples is a multiple of ten instead of reaching the

saturation stage. Similarly, another study reviewed that 12 interviews of a homogeneous group might reach the saturation status of knowledge (Guest, Bunce, & Johnson, 2006). The most important of using a proper qualitative method is to meet rigor and trustworthiness. Glaser and Strauss (1967) asserted that until reaching the data saturation, the researcher then can move ahead for another category. Multiple perspectives of the same issues to be generated will maximize the data quality (Silverman, 2016). Notably, in-depth interviews should be distinguished from case studies in qualitative research as there are different criteria for sampling method and analyzing technique.

4.2.2 Subject identification and sample

The target of the data gathering process was to gain information from non-exporters, indirect exporters, and direct exporters of the Vietnamese manufacturing SMEs. The research relies on multiple data sources of evidence to understand the complex context of Vietnamese internationalizing firms. The respondent firms were found in different ways.

In this empirical phase, the firms were found through internet search, personal contacts, business associations, trade fairs, and business conferences. Before a formal interview, each contact was informed about the interviewing purpose and a short description of the research. As it happened that not all contacted firms were interested in joining the interviews, the researcher had to be patient and flexible in the identification process. Thus, after each interview, the researcher also asked whether the manager could give some references to other firm managers who fit the interview purpose.

4.2.3 Instruments and interviews

Data is primarily gathered with the senior managers or business owners of the firms. Each informant had one formal semi-structured in-depth interview. The in-depth interviews were used to discover the stages that the manufacturing SMEs develop their international expansion. Ten interviews were conducted using the interview guide. The interview guide was prepared with a flexible structure (as displayed in the Appendix) allows the informants to comfortably provide their perspectives and experiences. Each

informant was asked to describe the general information of their firm, then follow the guide with probing questions, especially ‘how’ and ‘why’. When the informant provided the first information details of their firm, the researcher followed up with a question about the second, and the third, etc. that most concerned them. Furthermore, the researcher also asked comparison questions regarding failure and success, opportunities, and challenges, past, and future. This technique allows the researcher to maximize the collected information and knowledge from the field, and further ensure that the phenomenon studied has been apprehended in its entirety. The interview guide covers the following aspects:

- Basic information of the firms, including the respondent position in the firm, company description: sector, number of employees, main markets and products, mode of export: direct, indirect, non-export, years of export
- Overall of the business, including the essential factors: motivation to export, current business performance, and future potential or challenges. For the exporters, additional questions related to first-time export and enabling factors are also given
- Prominent themes of discussions: firm capabilities to maintain and enhance the business performance, and network resources that firms approach
- Other issues

Moreover, to assure that study of the phenomenon has reached in-depth its meaning, an informal pilot interview has been conducted with a local business consultant before the sampling process began. The coach is the chairman of a consulting group with thirty years of business experience. The informant profile is available at www.tritri.org/en-us/master-trainercoach. This pilot case was selected by convenience and aimed to help understand the local business environment that is relevant to the study's purpose. The pilot should be able to advise on appropriate approaches to collect the data in the field. The business coach was a former president of a manufacturing firm with diverse practical experiences, including technical operation know-how, and international trade development. His work is well-respected with extensive knowledge and practices with a deep understanding of Asian and Vietnamese culture. He has been in partnership with

business owners and leaders in a wide range of industries and company sizes to provide business solutions with a focus on enhancing capacity, driving productivity. In the end, the pilot interview was excluded from the data analysis.

After the pilot interview, ten interviews were conducted with the business managers or owners of ten SMEs in Ho Chi Minh City. As the study is to analyze the three-step export patterns, interviews with the three groups: non-exporters, indirect exporters, and direct exporters were conducted. The number of firms in each group was not equal, due to the characteristics of each export mode. The main goal is to target the indirect and direct exporters in the field. Adding non-exporters, in excess, can facilitate the understanding of what enables firms to export. The number of interviews stops when the researcher observes that the data information is sufficient, and no more significantly different information can be collected. The most important of this stage is to assure that the samples were representative and selected appropriately. Among the collected samples, there are two SMEs with no exporting activities, three indirect exporting SMEs, and five direct exporting SMEs. The exporting SMEs confirmed that export, either direct or indirect, is their main business activities. The diversity of the participant is also taken into consideration by different firm sizes and years of experience. The characteristics and selection criteria of the three groups are shortly described as:

- Group 1: two non-exporters. One non-exporter is a market leader in providing products and materials in the cutting-flower industry and has a strong motivation to export, with several attempts but failed. The other one is a pioneer in small businesses, operating in multiple private sectors ranging from food processing to high-tech and also acting as a business coach, embracing the vision of participating in global trade.
- Group 2: three indirect exporters. The three indirect exporters already have several years of establishment. The first indirect exporter produces mental crafts which are sold to mainly Western countries through the local intermediaries. The second indirect exporter produces honey and coffee. The third indirect exporter operates in the plastics industry, selling its products mainly to Japan through an independent trade company.

- Group 3: five direct exporters. The five direct exporters are varied from tea business, to food processing sectors and machinery. Different from the indirect exporters, these five exporters sell their goods directly to buyers in foreign countries.

Table 17. Interview profiles

No	Interviewee	Employee	Export products	Export markets	Form	Export years	Interview date
1	Director Assistant & General Manager	40	NA	Domestic	Non-export	NA	17.3.2016
2	Manager & Coach	<10	NA	Domestic	Non-export	NA	1.5.2016
3	Manager	7	Mental crafts	US, Australia	Indirect	16	15.4.2016
4	CEO	<10	Honey, coffee	US, Worldwide	Indirect	<20	19.3.2016
5	Director	6	Plastics	Japan	Indirect	4	15.3.2016
6	Chief Accountant	~300	Cashews	US, EU, Middle East, Thailand	Direct	10	18.3.2016
7	Manager	<50	Rice	EU, Middle East	Direct	7	19.3.2016
8	Sales Director	7	Machinery	Africa	Direct	9	16.3.2016
9	President	<10	Herbal tea	Asia, Germany	Direct	17	19.3.2016
10	Vice Director	~300	Seafood	US, EU, Japan	Direct	16	17.3.2016

Source: own elaboration

Details of participants for the interviews are listed in the table above. Each informant was interviewed once with an average of 95 minutes per each interview. All the interviews were transcribed. The collecting data process lasted for three months, from March to May 2016. Six months after the interviews, a further survey has been conducted and is presented in the next chapter. The people who were in the interviews do not participate in the survey. The combination of this methodology to ensure that the data sources can provide reliable information. Thus, it can avoid the doubt that only

the surface of the research has been reached and allow for an analytical generalization of the research.

4.2.4 Data analysis

The objective of data analysis is to build from the data the most meaningful factors that exist in each step of export. To construct all statements from the interviews into meaningful categories, thematic qualitative text analysis has been applied. Thematic qualitative text analysis has been widely used in numerous research projects and different forms (Lamnek, 1995). The approach to this analysis technique is one of the most common forms (Guest, MacQueen, & Namey, 2012) as it emphasizes pinpointing, examining and recording patterns from the data set (Braun & Clarke, 2006).

The data is constructed into categories using a mixed deductive and inductive approach. An extensively prior theory was studied to support the deductive approach. Additionally, the inductive approach was carried out simultaneously to further explore the understandings of the phenomenon. In the very first stage of the coding and categorizing process, two major categories: organizational capabilities and network resources have been coded. Three dimensions of the categories were analyzed: past, current, and future importance for the SMEs. In the reviewing stage of the categorizing process and categories development, codes, and categories names are adjusted to fit the thematic discussion. In this stage, the data was coded one more time and the categories had been checked in the literature. A minor category 'motivation to export' was also added. By comparing and contrasting the three export-led development groups, the category-based analysis increases explanatory power.

The approach to thematic analysis is developed by different research scholars, most widely cited scholars are the psychologists Virginia Braun and Victoria Clarke (2006). The analyzing process of this study follows the guideline of Udo Kuckartz (2014), using seven steps of the basic process of thematic analysis. The research design and data collection method also fit the thematic analysis technique as it is guideline oriented, problem-centered and in-depth interviewed (Flick, 2007). These steps are: first: initial work with the text, second: highlight important text passages and write memos, third:

develop main thematic categories, fourth: first coding process – coding all of the data using the main categories, fifth: compile all the text passages that belong to the same main category, sixth: create sub-categories inductively, second coding process – code all of the data using the elaborate category system, seventh: analyze and present results (Kuckartz, 2014). The seventh step is one of the most substantial steps as it requires the skills to in-depth interpret the results, explain the relationships among sub-categories, and possibly visualize the graphics. Every sub-category created has been reviewed within the context and relevant literature. Some categories also collapse into each other, such as the sub-categories of strategy development and the sub-categories of organizational capabilities were closely similar. The in-depth interpretation also allows us to modify the theoretical framework and verify existing hypotheses (C. Schmidt, 2010).

In sum, the data analysis in the first phase is designed to answer the first research question: 'What are the patterns of capabilities and resources utilization in SMEs export mode choices?'. Three following objectives are covered to answer the first research question:

- Objective 1: What are the patterns of organizational capabilities and network resources used in the first-time export of the direct and indirect exporters?
- Objective 2: What are the patterns of organizational capabilities and network resources used at the current status of the non-exporters, indirect exporters, and direct exporters?
- Objective 3: What are the patterns of organizational capabilities and network resources that are most concerned for the future development of the non-exporters, indirect exporters, and direct exporters?

4.3 Phase II: Quantitative research approach

In this section, the quantitative methodology is introduced. The section includes the following main sections: Quantitative research design, Data preparation, Survey instruments, Questionnaire design, Exploratory factor analysis, Reliability, and Validity Test, and Data analysis.

4.3.1 Quantitative research design

The quantitative approach aims to test and confirm the interrelations that have been identified and developed in the Qualitative phase (Phase 1) of the field research. The qualitative interviews were determined to reveal a predisposition towards the inductive approach in the second stage. The approach of Phase 2 specifically aims to quantitatively clarify whether the hypotheses of these relationships are supported or not. In other words, Phase 1 has been done to reveal the natural elements of the research model and Phase 2 has been done to interpret these elements (Bryman & Bell, 2015). This research strategy is rarely used in research design to research international entrepreneurship (Hohenthal, 2007) and considered to be helpful in addressing the phenomenon (Molina-Azorín, López-Gamero, Pereira-Moliner, & Pertusa-Ortega, 2012).

Following the previous discussion on the three export-led internationalization processes of SMEs, this stage continues with a quantitative evaluation to identify the interrelationships. The quantitative process evaluates only two types of export-driven internationalization: direct and indirect export mode. This modification is necessary, not only due to the heterogeneous characteristics of the samples, but also to fulfill the purposive sampling method to generalize and provide rich perspectives (Blazejewski, 2011) for the confirmation of the previous exploratory stage. Notably, it has been observed that the process research of firm internationalization appears to be a complex type of research and often squeezed into variance-based templates (C. Welch & Paavilainen-Mäntymäki, 2014). The role of time in the internationalization process is often missing and assumed as ‘a linear phenomenon’ (D. D. Sharma & Blomstermo, 2003). To prevail over this limitation, this research conducts a qualitative process-based

study with a quantitative variance paradigm. This combination supports the fundamental explanation of the SME internationalization process and provides a better understanding of the process study (C. Welch & Paavilainen-Mäntymäki, 2014). The combination of exploratory and confirmatory research phases enriches the temporality analysis and maintains soundness of a dynamic research design.

From the theoretical framework that has been developed and modified from the exploratory stage, the quantitative approach with the deductive approach aims to support the proposing hypotheses. The combination of qualitative and quantitative methods seeks to move beyond the typologies of mixed methods. According to Alan Bryman (2006), the integration of mixed method is suited to refine the research agenda on new topics and empirical settings.

The knowledge of internationalization patterns of small firms in the extant literature is rather limited or on-going arguing for fine-grained perspectives, i.e. traditional internationalization, born-global, born-again global, born-regional (Baum, Schwens, & Kabst, 2015). Similarly, Knight and Liesch (2016) recently called for future research on examining internationalization of firms not only static but also process perspectives, especially on measuring various types of internationalization process requires various methodologies and analytics. Thus, the approach to the theory development in the previous stage and the confirmation of relationships and interaction in this stage is a blend of induction and deduction.

According to Perry Chad (1998), the use of methodology starting with the appropriate research issues, through the selection of cases and analysis of data based on theoretical and literal replication construct the study. His work described that the research method that operated from within the realism paradigm is more appropriate than positivism. In the coming sections, the quantitative approach facilitates the testing of hypotheses. The following sections introduce the samples and data collection process, instruments and measurement, questionnaire design, and factor analysis.

4.3.2 Data preparation

This study analyses the exporting small and medium-sized companies in the Vietnamese manufacturing industry. The research is focused on local firms, mainly located in Ho Chi Minh City, the biggest city in terms of population and commercial activities located in southern Vietnam.

The population parameters of the research are limited only to local Vietnamese exporting firms. In 2018, according to the General Statistics Office (gso.gov.vn), there are 517,900 registered enterprises, in which about 10 thousand large enterprises, accounting for a modest rate of 1.9 percent and the number of SMEs accounting for 98.1 percent. According to the General Department of Vietnam Customs (customs.gov.vn), the official number of Vietnamese firms participating in import-export activities in 2018 is about 85,6 thousand, compared to 79,6 thousand in 2017. However, there is no publicly accessible database for current information of the SMEs exporting manufacturing firms. Thus, additional data and relevant information on SMEs participation in Vietnam export are also reviewed from the reports of the General Statistics Office of Vietnam, the Asian Development Bank, World Bank, OECD, and the Vietnam Chamber of Commerce and Industry.

The industrial sectors included in this study are wooden industry and furniture, electronics, agriculture and food, machinery, textile and garments, construction materials, plastics, and other different types of manufacturing products, both processes and finished for exporting. Firm selection criteria are with a minimum of two years of exporting, using export as the main business activity, operating in the manufacturing sector and the number of employees is under 300.

Firm is the unit of analysis, not the owner. Considering a firm as a unit of analysis is also in line with the fundamental research of small firms. The key informants were selected were managers or owners, or founders, or the wider management team of the firms. The selection of key informants was an important step in the study design. The informants could not only provide insightful information, which is valuable to the study, but also showed interests and were willing to share the knowledge. Hence, having an

informant who qualified the three following prerequisite elements was considered the best fit for this study.

- representation of the firm
- willingness to share
- and management knowledge to grow the business

The data were obtained during the period from October 2016 to January 2017. The questionnaire was prepared in English and then translated into Vietnamese following the back-translation process for accuracy. All items were rated on a five-point Likert type scale, ranging from (1) = strongly disagree to (5) = strongly agree. Varied preferences have been used to increase the number of respondents, including efforts to get more contacts through email lists, company visits, trade fair visits and export management training workshops. Considering the empirical context, a non-probability sampling technique with convenience sampling has been applied to collect the data. The importance of study validity is, however, to disclose details about the participants and attempts to improve participation (Morton, Bandara, Robinson, & Carr, 2012). Thus, the effort to improve the attractiveness of the survey to the respondents was an appropriate step in the data collection process. As a result, 72 cases were qualified for the selection criteria, including 38 direct exporting firms and 34 indirect exporting firms.

4.3.3 Pre-testing

The questionnaire was tested prior to the field experiment. The questionnaire was sent to three exporting firms: one direct exporting SME manager, one indirect exporting owner, and one indirect exporting manager. The survey questionnaire was also reviewed by researchers and experts in the same field. Some questions were minimally modified to improve literal meaning and understanding.

4.3.4 Survey instruments

Dynamic capabilities

The qualitative research study in the first stage and the adoption of the literature review on dynamic capabilities, majorly from Teece et al. (2007) and Ambrosini and Bowman (2009), led to an a priori identification of a set of capabilities that are present within the exporting firms. The dynamic capabilities are categorized into four subsets: sensing, seizing, leveraging and transformation.

To define clearly what are the elements of dynamic capabilities as Ambrosini and Bowman (2009) suggested, this study focuses on analyzing each specific item without splitting into categories. This primary focus allows us to objectively compare the two types of exporters and specifically identify the differences between both.

Table 18. Measurement scale of Dynamic capabilities

Teece et al. (2007), Ambrosini and Bowman (2009)	Sensing	Market opportunities
		Technological opportunities
		Mobilization of resources
	Seizing	Decisions making
		Absorbing resources
	Leveraging	Replicating a process or system
		Extending resources
	Transformation	Renewal and modification
		Transformation

Source: adapted from Teece et al. (2007) and Ambrosini and Bowman (2009)

The dynamic capability was analyzed by applying nine indicators measured on a five-point Likert scale. Each item was assessed using a five-point response coding ranging from ‘strongly disagree’ (1) to ‘strongly agree’ (5).

Network resources

In strategic management, the strength of network relationships in developing business relationships and strategic alliances can improve business performance. It has been acknowledged that the use of the importance-performance matrix economists and behavioral scientists to measure the relationships becomes asymmetric (Matzler, Bailom, Hinterhuber, Renzl, & Pichler, 2004). Network intensity turns out to be the key measurement of the network relationships, referring to the terms of contacts and the amount of resources (Aldrich, 1979).

According to Gemünden et al (1996), network intensity and structure are the most important dimensions of a firm network. Üstüner and Iacabucci (2012) developed a scale to measure the frequencies of communication between salespersons and customers and found that the frequency of interaction embedded in a network has a positive influence on firm performance. Similarly, Gächter et al. (2015) also measure the closeness of relationships by using the frequency of interactions measurement scales. This study focuses on measuring the network intensity level, figuring out how exporters approach their networks in the industry. The measurement of network resources consists of fourteen items. Each item was assessed using a five-point response coding ranging from 'Very Rarely (1) to 'Very Frequently (5).

Table 19. Measurement scale of Network resources

Developed from phase I	Social network	Informal contacts
		Friends and family members
	Information network	Export associations
		Government assistance links
		Legal advisory agencies
		Trade promotion agencies
	Institutional network	Financial institutions
		Knowledge institutions
		Media organizations
		Technological partners
		Public services providers

	Market network	Logistics companies
		Suppliers
		Potential customers

Source: own compilation

Export performance

Existing literature suggests that export strategy or any form of strategic orientation has a positive relationship with export performance (Dhanaraj & Beamish, 2003; Zou & Stan, 1998). Empirically, Aaby and Slater (1989) introduced a "strategic export model" indicated that firm competencies and strategy have a direct and significant influence on the performance. The export performance of a firm reflects a firm-specific behavior in leveraging its resources and capabilities in an international context at a given point of time.

Firm export performance is regarded as one of the key indicators of the success of a firm export operation and has been an extensively studied phenomenon. For example, Gemunden (1991) counted over 700 analyzed variables as determinants of export performance. Export performance of firms is heterogeneous, its determinants are either external influences or internal influences (Katsikeas, Leonidou, & Morgan, 2000). There are different ways to measure export performance. For example, several authors use a single variable to measure export performance of a firm (e.g. Bloodgood, Sapienza, & Almeida, 1996; Knight & Cavusgil, 2004; Zhou, Wu, & Luo, 2007). Ibeh and Wheeler (2005) summarize their findings on resource-based influences on export performance. Chantanaphant et al. (2011) used three export performance measures including export intensity, export growth and export diversity based on financial measure.

Another feasible measurement method is also applied commonly to break the secret of company financial disclosure: non-financial measures. Cavusgil and Zou advanced this way of measuring performance based on perception (Cavusgil & Zou, 1994; Zou, Taylor, & Osland, 1998). As it is difficult to obtain the companies disclosed financial data, export performance was derived from non-financial measures reflecting the manager perception, using the scale developed by Zou et al. (1998). Zou identified 9

items of export performance in his study with the three main dimensions: financial export performance, strategic export performance, and satisfaction with export ventures. Adapted items in this study also demonstrated a perceptual perspective with non-financial measures. In another research that advanced the export performance construct in the form of multi-dimensional measure, Beleska-Spasova et al. (2012) also successfully applied 8-measured items. In Beleska-Spasova's study, goals and expectations were used as a single measurement item, thus reducing one item compared to the original suggestion of Zou.

Table 20. Export performance measurement scale

Zou et at. (1998), Beleska-Spasova et al. (2012)	Financial export performance	Overall profitability
		Sales volume
		Growth
	Strategic export performance	International competitiveness
		Strategic position
		International market share
	Satisfaction with export venture	Success
		Goals and expectations

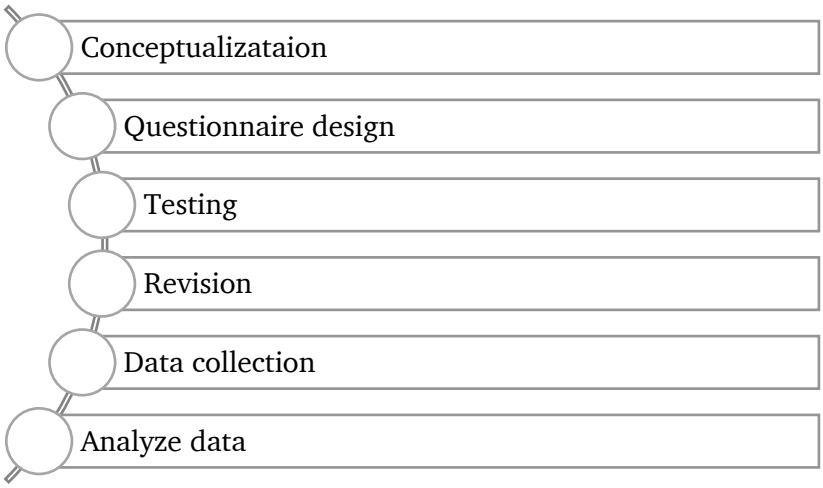
Source: adapted from Zou et at. (1998) and Beleska-Spasova et al. (2012)

The level of satisfaction consists of eight items, including overall profitability, sales volume, growth, international competitiveness, strategic position, international market share, successful expectation, goals, and expectations. Each item was assessed using a five-point response coding ranging from 'strongly dissatisfied' (1) to 'strongly satisfied' (5).

4.3.5 Questionnaire design

The process of questionnaire design was established based on different sources of instruction. The questionnaire development and administration process can be simplified through five basic steps before the analysis:

Figure 20. The stages of questionnaire design and data analysis



Source: adapted from Brancato et al. (2006)

Additionally, the researcher can name the most significant guidelines given by 'Survey Methodology', written by Groves et al. (2011). Furthermore, the questionnaire design was also received with great advantage from the instruction of the 'Questionnaire Design' workshop, organized at the GESIS Summer School 'Survey Methodology' in Cologne during 15-19.8.2016, instructed by Professor Marek Fuchs and Dr. Tanja Kunz. This intensive workshop has been given with a systematic literature review, focusing on survey methodology. In line with this research method objective, the goals of the questionnaire design must satisfy two fundamental aspects: measurement feasibility and process quality.

Table 21. Summary of construct and scale measurement

Construct	**Description**	**No. of items**	**Measurement**
Dynamic capabilities	A scale with four dimensions	9	Ordinal
Network resources	A scale with four dimensions	14	Ordinal
Export performance	A scale with three dimensions	8	Ordinal

Source: own elaboration

According to Groves et al. (2011), translating theoretical concepts into proper indicators is one of the first major steps in the survey questionnaire design. The researcher draws on existing theory and previous empirical research findings. The selection of indicators was considered with the main following criteria: construct reliability and validity. These criteria will be discussed in the next sections of how they are qualified to cover the research questions and research dimensions.

Table 22. Details of variables and measurement scales

Dimension	**Indicators**	**5-point Likert Scale**
Dynamic Capabilities (DynCap)		
Sensing (SENS)	SENS1 Market opportunities	Ordinal
	SENS2 Technological opportunities	Ordinal
	SENS3 Mobilization of resources	Ordinal
Seizing (SEIZ)	SEIZ1 Decisions making	Ordinal
	SEIZ2 Absorbing resources	Ordinal
Leveraging (LEVE)	LEVE1 Replicating a process or system	Ordinal
	LEVE2 Extending resources	Ordinal
Transformation (TRAN)	TRAN1 Renewal and modification	Ordinal
	TRAN2 Transformation	Ordinal
Network Resources (Network)		
Social network (SOCI)	SOCI1 Informal contacts	Ordinal
	SOCI2 Friends and family members	Ordinal
Information network (INFO)	INFO1 Export associations	Ordinal
	INFO2 Government assistance links	Ordinal
	INFO3 Legal advisory agencies	Ordinal
	INFO4 Trade promotion agencies	Ordinal
Institutional network (INST)	INST1 Financial institution	Ordinal
	INST2 Knowledge institutions	Ordinal
	INST3 Media organizations	Ordinal
	INST4 Technological partners	Ordinal
	INST5 Public services providers	Ordinal
Market network (MARK)	MARK1 Logistics companies	Ordinal

	MARK2 Suppliers	Ordinal
	MARK3 Potential customers	Ordinal
Export Performance (ExPer)		
Financial export performance (FINE)	FINE1 Overall profitability	Ordinal
	FINE2 Sales volume	Ordinal
	FINE3 Growth	Ordinal
Strategic export performance (STRE)	STRE1 International competitiveness	Ordinal
	STRE2 Strategic position	Ordinal
	STRE3 International market share	Ordinal
Satisfaction with export venture (SATE)	SATE1 Success	Ordinal
	SATE2 Goals and expectations	Ordinal

Source: own elaboration

Applying rating scales in this research, one of the most common response errors is that the respondents may systematically select a specific response option, irrespective of the content (Moors, 2008). To minimize these errors, the researcher was advised to consider these essential following elements: characteristics of respondents whether they are motivated and able to fill the questionnaire; characteristics of the questionnaire design which means the researcher must take care of the content and the question format; and characteristics of the questionnaire administration including the appropriate number of questions and the question length (Kunz, 2015). Moreover, although Beatty and Herrmann (2002) suggested that adding 'no opinion' is a solution to avoid a nonresponse option. However, Krosnick et al. (2002) found that offering 'no opinion' options may discourage some respondents to report the true opinions they do have and is likely to produce less valid data. Thus, the response option 'don't know' or 'no opinion' is finally not included in the questionnaire.

Another notable issue regarding response errors that should be noticed in the research design is the respondent tendency to agree rather than disagree (Krosnick, 1999). Thus, Tanja Kunz (2015) recommended that the Likert-scale question should use the construct-specific rather than only agree-disagree answers. In this PhD research, the questionnaire was designed following the instruction to reduce response errors, adding

more construct-specific options besides 'Strongly Disagree – Strongly Agree', such as 'Very Rarely – Very Frequently', 'Very Dissatisfied – Very Satisfied'.

Table 23. Overview of the survey questionnaire

Dynamic Capabilities	
To what extent do you disagree or agree with the following statement…. (5 = strongly agree, 1 = strongly disagree)	
Q1	We have dedicated resources to identifying export market opportunities
Q2	We have dedicated resources to identifying technological opportunities
Q3	We invest in prerequisite resources needed to conduct the business
Q4	Internationally orientated decisions to foreign market expansion are important for our firm's growth
Q5	We can address the export opportunities from our developed products or services
Q6	Our daily operational activities are based on a developed business process or system
Q7	Our firm makes efforts to introduce one new product to the export market recently
Q8	Our firm puts efforts to undergo renewal and modification as markets and technologies changing quickly
Q9	We continuously standardize our exporting products and modernize our technologies for future growth of our firm
Network Resources	
On average, how frequently do you communicate about export-related matters with…? (5 = very frequently, 1 = very rarely)	
Q10	Personal contacts or Informal business partners to be devoted to export activities
Q11	Friends and family members to be devoted to export activities
Q12	Export associations related to our export activities
Q13	Our links with the government providing assistance to our export activities
Q14	Legal advisory agencies that are experienced in international market operations
Q15	International trade promotion agencies that deal with international market operations
Q16	Financial institutions provide services to our export activities
Q17	Universities or research institutions provide services to our export activities
Q18	Marketing or PR agencies that support our export sales and brand building
Q19	Our technological partners facilitate our manufacturing process
Q20	Current public services and facilities facilitate our business function

Q21	Logistics companies provide services to our export activities
Q22	Local or foreign suppliers provide production materials for our export
Q23	Our business partners as potential customers in our export
Export Performance	
Our overall impression of our export activities over the last 2 years… (5 = very satisfied, 1 = very dissatisfied)	
Q24	Contribution to overall profitability
Q25	Generation of sales volume
Q26	Growth achievement
Q27	International competitiveness level
Q28	Strategic position in the international market
Q29	Taking over of the international market share
Q30	Expectation of success
Q31	Fulfillment of goals and expectations

Source: own elaboration

4.3.6 Exploratory factor analysis

In this section, the exploratory factor analysis (EFA) is conducted considering various literature suggestions, statistical standards as well as self-demonstration of the analysis. The factor analysis does not only provide a comprehensive report of the analysis but also delivers an understanding of the research objectives and purposes. At first, the theoretical underpinning of the factor analysis was discussed, followed by the analysis results and interpretation of the measurements and conceptualization. The factor analysis in this chapter is a crucial step that is expected to bring clear, correct, and acceptable concepts for further measurement.

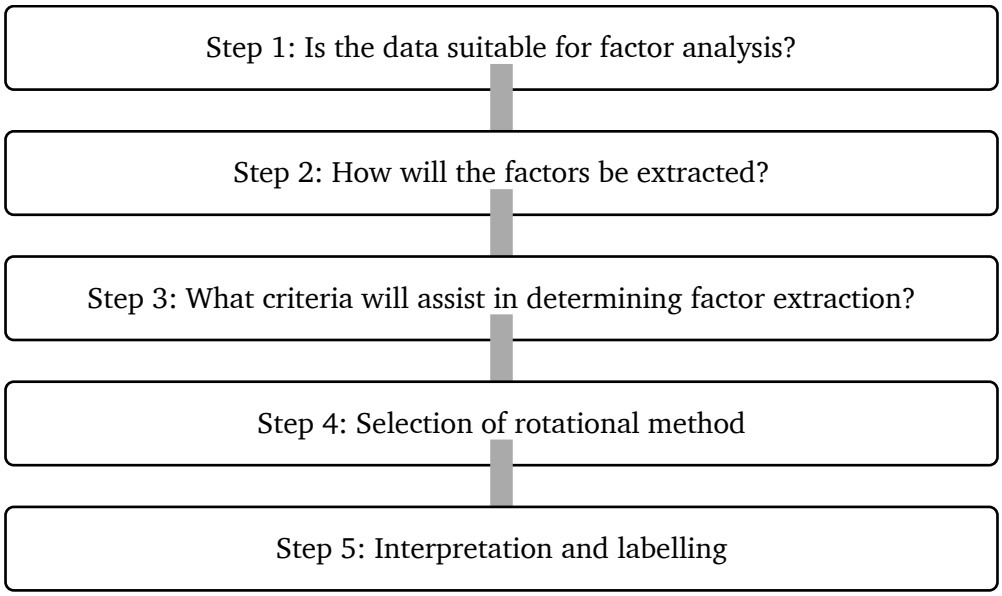
Factor analysis was first developed by Charles Spearman in the field of human ability with a theory called 'the Two-Factor Theory' (D. Child, 2006; Fabrigar, Wegener, MacCallum, & Strahan, 1999). There are two main types of factor analysis, one is exploratory factor analysis and another one is confirmatory factor analysis. Confirmatory factor analysis confirms the hypothesis, while exploratory factor analysis is a statistical method to examine the relationships between measured variables and

identify a set of latent constructs (D. Child, 2006; Fabrigar, Wegener, MacCallum, & Strahan, 1999).

The main purpose of factor analysis is to summarize data so that relationships and patterns can be easily interpreted and understood (Yong & Pearce, 2013). Similarly, exploratory factor analysis tries to reduce the unobservable variables (Bartholomew, Knott, & Moustaki, 2011). The use of exploratory factor analysis thus can underline the concept, facilitate interpretation (Rummel, 1988), and place variables into meaningful categories (Yong & Pearce, 2013).

The exploratory factor analysis in this study was conducted following the guide of Yong and Pearce (2013) and the 5-step EFA protocol of Williams et al. (2010).

Figure 21. The 5-step EFA protocol



Source: Williams et al. (2010)

Step 1: Sample size

The EFA is normally applied for a large sample size (e.g. Comrey & Lee, 1992, 2013). However, a sample size of a reasonable absolute minimum with N = 50 or even below also yields good quality results typology

(de Winter*, Dodou*, & Wieringa, 2009). Several other researchers also agreed that small sample size can yield acceptable solutions, such as MacCallum et al. (2001) applied with a minimum N of 60, Sapnas and Zeller (2002) determined that a sample size of at least 50 and not more than 100 subjects is already adequate, or Mundfrom et al. (2005) suggested that factor analysis is still reliable with sample sizes. This study has a sample size of 72 thus considered acceptable to proceed with factor analysis.

In addition, a Kaiser-Mayer-Olkin (KMO) measure of sampling adequacy and the Bartlett's Test of Sphericity was accessed prior to the extraction of the factors. The KMO value tells how the data is suitable for factor analysis and ranges between 0 and 1. According to Cerny and Kaiser (1977), the rule of thumb for interpreting KMO value is that:

- between 0.8 and 1: the sampling is adequate.
- less than 0.6: the sampling is not adequate

Step 2: Factor extraction

There are numbers of extraction methods, most common are: Principal components analysis (PCA), Maximum likelihood, Principle axis factoring (PAF). PCA is used to extract maximum variance from the dataset with each component thus reducing a large number of variables into a smaller number of components (Tabachnick & Fidell, 2007). PCA is a data reduction technique and the issues of whether it is truly a factor analysis technique have been raised (Costello & Osborne, 2005). PCA and PAF are used most commonly in the published literature (Henson & Roberts, 2006) and are not significantly different from each other (Thompson, 2004) as the factor loadings are fairly similar (Tabachnick & Fidell, 2007). Besides, PCA is also helpful in establishing the first step to reduce the data (Pett, Lackey, & Sullivan, 2003) if necessary. This study uses the PCA method as it has been recommended when no prior theory or model exists (Gorsuch, 1988).

Step 3: Other criteria prior to factor extraction

There are various criteria for determining factor extraction. First, the Kaiser's criteria determined that the eigenvalue should be above 1 (Kaiser, 1960). Second, the Scree test determined the number of factors to extract (Joseph F Hair, Black, Babin, Anderson, & Tatham, 1998). Third, the cumulative percentage of variance should be above 60 percent of the total variance in social sciences (Hair, Black, Babin, Anderson, & Tatham, 1998).

Step 4: Rotation method

The next step is to determine the rotation method. The goal of rotation is to attain an optimal simple structure which attempts to have high loading items on one factor and smaller loading items on remaining factors (Costello & Osborne, 2005; Rummel, 1988).

There are two main rotation techniques: orthogonal rotation which assumes that the factors are uncorrelated and oblique rotation, and oblique rotation which assumes that the factors are correlated (Rummel, 1988). This study applies orthogonal technique with Varimax rotation which is the most common rotational technique used in factor analysis (Thompson, 2004).

Step 5: Interpretation

In this step, the researcher should examine which variables form a factor as it happens that one variable may load on several factors. According to a traditional explanation, the labeling of factors is a subjective, theoretical, and inductive process (Pett et al., 2003). It has been acknowledged that the meaningfulness of latent factors is ultimately dependent on researcher definition (Henson & Roberts, 2006).

The PCA extraction method and orthogonal technique with Varimax rotation were applied as discussed above. The analysis has been rerun after items were removed. In sum, the analysis was rerun three times and the number of factors to extract each time was adjusted accordingly. The analysis can be rerun several times to get the final extract factors (Joseph F Hair et al., 1998).

Here is the summary and interpretation of each EFA step.

Table 24. 1st KMO and Bartlett's test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.725
Bartlett's Test of Sphericity	Approx. Chi-Square	1476.025
	Df	465
	Sig.	.000

The KMO index is .725, higher than the recommended value of 0.6, which is considered that the data is suitable for factor analysis (Hair et al., 1998). The p-value of the Bartlett's Test of Sphericity is significant (χ^2 (465) = 1476.025, $p < .05$) indicates that factor analysis is suitable (Tabachnick & Fidell, 2007). The commonalities in the table "Rotated Component Matrix" were all above .3.

Table 25. 1st Total variance explained

Total Variance Explained		
Component	Rotation Sums of Squared Loadings	
	% of Variance	Cumulative %
1	14.437	14.437
2	12.196	26.633
3	8.931	35.564
4	8.399	43.963
5	7.758	51.721
6	7.661	59.382
7	6.992	66.374
8	6.687	73.061

Extraction Method: Principal Component Analysis.

The initial eigenvalues showed that the first factor explained 14.4 percent of the variance, the eighth factor explained 6.6 percent of the variance. Results from the Scree Plot indicate that eight factors were extracted that have acceptable eigenvalues. All eight factors have a cumulative value of 73.061 percent.

Table 26. 1st Rotated component matrix

Rotated Component Matrix[a]								
	Component							
	1	2	3	4	5	6	7	8
SATE1	.888							
SATE2	.874							
STRE3	.802							
FINE2	.739						.301	
FINE1	.641	.354	.308					
INFO2		.811						
INFO1		.784						
INFO4		.778						
INFO3	.392	.663						
INST3		.612				.344		
SEIZ1		.414	.312					
TRAN2			.802					
TRAN1			.759			.311		
LEVE2			.697			.481		
SEIZ2	.329		.492					
INST5				.760				
INST1		.345		.641				
SENS1			.480	.605				
INST4				.586	.429			
SENS2					.879			
SENS3					.842			
MARK2				.333		.737		
MARK1				.385		.713		
LEVE1						.657	-.358	
SOCI2							.831	
INST2		.307			.409		.537	
MARK3		.391		.381			.471	
SOCI1				.373			.440	
STRE1								.839
FINE3	.342							.697
STRE2	.560							.579

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.[a] Rotation converged in 9 iterations.

The rotated component matrix table provides evidence that 8 items (highlighted green) of the construct 'Export performance' can be separated from the rest. Thus, another run of exploratory factor analysis with the elimination of these 8 items is performed to obtain further interpretation.

Table 27. 2nd KMO and Bartlett's test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.716
Bartlett's Test of Sphericity	Approx. Chi-Square	876.096
	Df	253
	Sig.	.000

Again, the KMO value is .716 meets the rule of thumb for adequate sampling. The p-value of the Bartlett's Test of Sphericity is significant (χ^2 (253) = 876.096, p < .05) thus appropriate for factor analysis.

Table 28. 2nd Rotated component matrix

Rotated Component Matrix[a]

	Component					
	1	2	3	4	5	6
INFO2	.828					
INFO4	.805					
INFO1	.771					
INFO3	.720					
INST3	.519					
SEIZ1	.452	.414				
TRAN2		.793				
TRAN1		.740	.419			
SEIZ2		.679				
LEVE2		.653	.582			
MARK2			.794			
MARK1			.767			
LEVE1			.639			
INST5				.729		
INST1				.700		
SENS1		.497		.605		
INST4				.541	.424	
SENS2					.884	
SENS3					.848	
SOCI2						.842
INST2						.577
SOCI1						.526
MARK3						.479

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. [a] Rotation converged in 8 iterations.

Results from the Rotated component matrix table shows that most items for dynamic capabilities can be separated from network resources. Although some items have cross-loading scores on more than one column factor. For example, item SEIZ1 has loading scores on both the first and second column factor with nearly similar value. Item INST4 also has loading scores on two-column factors with nearly similar value. Item SENS1 has loading scores on two-column factors but lower scores on the second column factor. Exceptionally, item LEVE1 has a loading score on only one column factor, which contains two other items belonging to "network resources". In further analysis, this item LEVE1 should be taken into account as it seems to have less relevance in explaining the "dynamic capabilities".

In the same way, the result from the first column factor shows that INST3 (=Media organizations) belongs together with INFO items, showing reasonable logic. In reality, media organizations also play important roles in providing market information besides providing advertising campaigns for clients. Similarly, INST2 (=knowledge institutions) and MARK3 (=potential customers) stand in the same group with SOCI reflecting realistic correlation, as often being recognized, and encouraged through multiple social networks. As a consequence, it is a proof that high correlation of relevant objects usually happens in social science studies.

Summary of EFA

In sum, the 2-steps of the exploratory factor analysis shows that the three constructs 'export performance', 'dynamic capabilities', and 'network resources' can be distinguished from each other. The purpose of exploratory normally aims to reduce the number of observed variables to further go to the route of confirmatory factor analysis, which is not the main goal of this study. Therefore, none-of the items are considered removed. The main goal of conducting exploratory factor analysis here is to check correlation and variance issues and highlighting the logic structure of the principal components. By doing that, the researcher is confident of using this set of variables for approaching the non-parametric statistical examination. The EFA reviews and confirms the number of final factors and indicators with the loading values and the KMO values,

illustrating that an appropriate EFA process was conducted. The initially proposed indicators were 31 and the final proposed indicators remain the same.

4.3.7 Reliability and validity test

For reliability, Cronbach's Alpha is measured to validate the internal consistency of the measurement constructs. Different opinions were discussed to evaluate the value of Cronbach's alpha. As a rule of thumps, the higher value of Cronbach's alpha, which is normally ranged from zero to one, is better for a measurement scale. However, some scholars also argued that a satisfactory level of reliability depends on how a measure is being used (Lance, Butts, & Michels, 2006; Nunnally, 1978). Thus, it is not necessary to always apply reliability of 0.7 or 0.8 as usually suggested because the number of items in the scale should be taken into account. With a smaller number of items in a scale, the value of alpha can be small. For example, Lewis and Loewenthal (2015) discussed that the alpha coefficient of 0.6 could be acceptable in any case. Similarly, in the practice of SPSS statistical analysis software, Hinton et al. (2004) suggested that an alpha value of 0.5 is moderately reliable to judge the measured reliability of construct measurement.

The appropriate cut-off values for reliability is suggested (Hinton et al., 2004)as follows:

- 0.9 and above shows excellent reliability
- 0.7 to 0.9 shows high reliability
- 0.5 to 0.7 shows moderate reliability
- 0.5 and below shows low reliability

In this study, the Cronbach's Alpha of DynCap, Network, and ExPer are 0.789, 0.870, and 0.907, respectively. These values indicate the scales of high reliability. The Cronbach's Alpha tests are given below.

Table 29. Reliability scale of Dynamic capabilities

Dynamic Capabilities, 9 items, Cronbach's Alpha = .789				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
SEIZ1	30.28	28.485	.367	.786
SEIZ2	30.43	28.023	.547	.759
SENS1	31.01	27.451	.510	.763
SENS2	30.72	29.556	.349	.786
SENS3	30.51	28.366	.526	.762
TRAN1	30.12	26.900	.691	.740
TRAN2	30.14	28.459	.549	.760
LEVE1	30.53	29.746	.306	.793
LEVE2	30.14	28.065	.519	.762

Among the nine items measuring dynamic capabilities, it was found that LEVE1 has the lowest 'corrected item-total value' (0.306). The Cronbach's Alpha increases slightly from 0.789 to 0.793 if LEVE1 is deleted. As the difference is small, all items are retained.

Table 30. Reliability scale of Network resources

Network resources, 14 items, Cronbach's Alpha = .870				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
INFO1	42.06	97.969	.730	.850
INFO2	42.46	101.069	.608	.857
INFO3	42.39	102.156	.551	.861
INFO4	42.38	101.984	.631	.857
INST1	41.94	105.011	.487	.864
INST2	42.63	107.026	.387	.869
INST3	42.33	102.901	.544	.861
INST4	42.03	104.619	.594	.859

INST5	41.83	105.211	.475	.864
MARK1	41.29	103.731	.512	.863
MARK2	41.03	105.041	.513	.863
MARK3	41.31	100.412	.697	.853
SOCI1	41.71	109.139	.350	.870
SOCI2	41.97	108.619	.345	.871

Details of reliability analysis of network resources are shown. Similar to dynamic capabilities, one item SOCI2 was only found to have slightly higher reliability if deleted. Thus, none of the items is removed.

Table 31. Reliability scale of Export performance

Export Performance, 8 items, Cronbach's Alpha = .907				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
STRE1	23.47	32.929	.578	.905
STRE2	23.46	32.421	.682	.897
STRE3	23.72	32.175	.700	.895
FINE1	23.49	29.070	.756	.890
FINE2	23.39	30.269	.763	.889
FINE3	23.11	31.142	.600	.905
SATE1	23.51	30.338	.799	.886
SATE2	23.49	30.732	.767	.889

The construct export performance shows excellent reliability, reaching 0.907. All eight items have Alpha-if-item-deleted scores lower than the overall alpha, indicating a good internal consistency of this construct. Further statistical analysis will be discussed in the next chapter.

4.3.8 Data analysis

The Mann-Whitney U test and the Spearman's Rho correlation tests are applied in the data analysis section.

Approach to the Mann-Whitney U test

Mann-Whitney U test or Wilcoxon rank sum test is a nonparametric test developed by Mann and Whitney (1947) to compare the medians of two independent sample groups. The advantage of using Mann-Whitney U test is that it does not require normal distribution of data as well as offers the possibility of using small sample sizes.
To interpret the result, three values are normally interpreted: p-value, U statistic and Z score. The Mann-Whitney U test calculates the U statistic value for each sample group.

Effect size in the Mann-Whitney U test

The effect size, also called correlation coefficient, is normally reported for the Mann-Whitney U test to support the results (Nakagawa & Cuthill, 2007; Wilkinson, 1999).

According to Cohen (1988), the thresholds for interpreting effect sizes in social sciences are:

- r = 0.1, small effect size
- r = 0.3, medium effect size
- r = 0.5, large effect sizes

Approach to the Spearman's Rho correlation

The Spearman rank correlation is a non-parametric test that is used to measure the rank correlation between the two variables. The Spearman's coefficient is calculated based on ordinal or continuous variables (Lehman, 2005). Thus, the Spearman correlation is a proper alternative to Pearson correlation, measuring the correlation between rank values instead of linear relationships.

5 RESULTS AND DISCUSSION

In this chapter of the thesis, the major findings are discussed. The key results will be reviewed with the reflection of both empirical phases. The discussion of results with regard to the different export mode choices, covering features of dynamic capabilities and network resources patterns. Additionally, the comparison between direct and direct exporters concerning export performance is also given. In the end, this chapter is structured to answer the research questions and objectives which were pointed in the beginning chapter.

5.1 Results of Phase I

In the findings, important patterns and themes have been generated. Following the thematic content analysis technique, the result presents summary outcomes and evidence using quotes from the respondents. The outcome is the consequence of the coding process based on research questions and objectives. The sub-codes naturally reflect the case stories, as well as being examined from existing literature. With the use of computer-assisted qualitative data analysis software MAXQDA, some visual tools such as code matrix browser, code relation browser, document portrait, and statistic of sub-codes were introduced. The visualization facilitates the interpretation process and offers a meaningful explanation of key operational constructs, which is essential to further develop the next step of the research.

5.1.1 Code structure

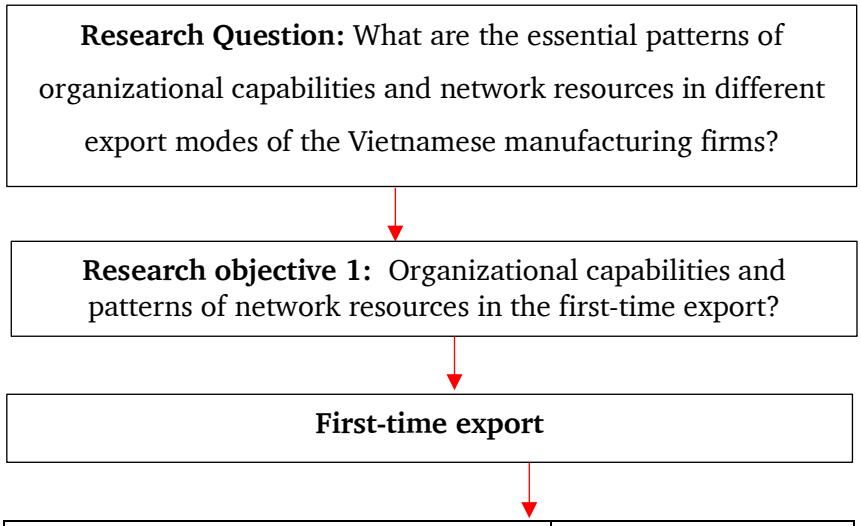
Under the most common form of analysis in qualitative research (Guest et al., 2012), thematic analysis was used to create meaningful patterns within data (Braun & Clarke, 2006). The approach to this analysis was performed by defining main categories, reducing data, and generating codes.

Deductive and inductive coding methods were also applied in this process, in which deductive methods added codes to established categories and sub-categories, while

inductive methods explored new codes for further analysis. This combination of coding methods allows the researcher to describe what is missing from the theoretical perspective and tell an accurate story about the data (Braun & Clarke, 2006).

To give an overview of the code structure, the figure below illustrates how the coding procedure was established to portray the phenomenon and explain the research questions.

Figure 22. Code structure



1 Organizational capabilities **2 Network resources**	1st analytical category
2.1 Social network 2.1.1 Informal contacts 2.1.2 Friends and family	2nd analytical category and codes
2.2 Information network 2.2.1. Export associations 2.2.2 Government assistance links 2.2.3 Legal advisory agencies 2.2.4 Trade promotion agencies	
2.3…	

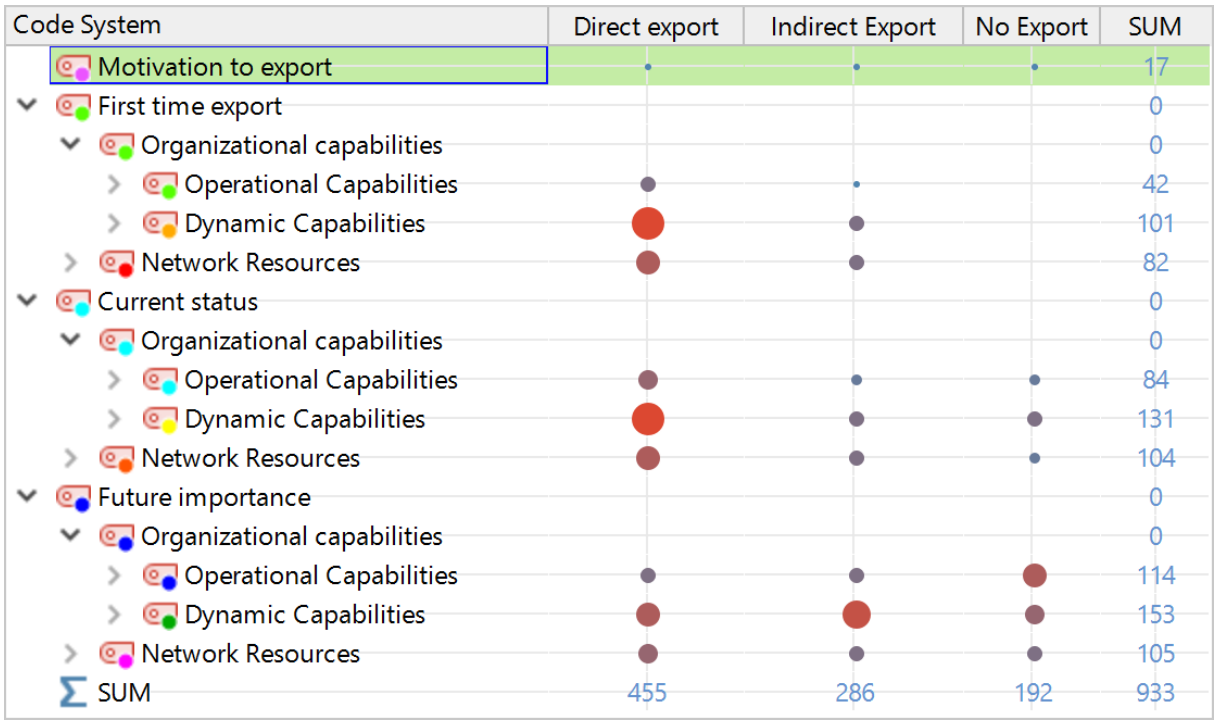
Source: own development

The main research question was intended to explore the patterns of network resources utilization and organizational capabilities of the manufacturing SMEs. Within each phase of analysis, these two main categories are included for exploration. All the field notes and interview transcripts were added into MAXQDA software for the coding process.

Besides the patterns that have been described from the literature, the new codes were also added based on its relevance to the research objectives and the importance to help understand the research problem. One example in the above illustration is that the pattern 'public services providers' was added to the sub-theme 'institutional network'. As a result, one segment of the data can share a common code as it has relevant information (Coffey & Atkinson, 1996). However, the main purpose of the coding process is to examine the data in different ways and find codes that allow the researcher to analyze both similarities and differences. All codes were selected with taken into account all statements from the interviewees concerning the relevance of network resources or organizational capabilities.

Overall, 933 codes have been generated, including 17 codes of the 'Motivation to export'. Three document groups were imported into the MAXQDA document system for analysis, namely non-export, indirect export, and direct export. The code system was divided into three phases of analysis: first-time export, current competitiveness, and future importance. Within each phase, the two main categories were described as main themes of study, namely: 'organizational capabilities' and 'network resources' and the sub-codes. Within MAXQDA software, the code system can be exported using Code Matrix Browser under the Visual Tools tab menu.

Figure 23. Code system overview



Source: own elaboration

An overall overview of the code matrix browser shows that among the three documented groups, the direct exporting group delivered most codes. The direct exporting group provided more information on their first-time export and current competitiveness. In contrast, the indirect exporting group and the non-exporting group provided more information on their future condition. The indirect exporting group specified less information on their network resources and more discussion on dynamic capabilities. The non-exporting group emphasized their concern on capabilities development for the future.

In the following section, the result details focus on explaining important factors that were discussed in each phase and providing a comparison of the three groups.

5.1.2 Motivation to export

In this section, the motivation for export was examined. The objective of this section is to screen the factors on initiating exporting and to confirm export is the main interests of SMEs to internationalize. The motivation for export has been checked with all three groups. Also, this step is to ensure the quality of the sample selections for the interviews and to further convince that the data source is measurable for the research. The interviewees were asked to clarify what were the main reasons that they started exporting and how it happened the first time. Each group has shown the interests of their firms in the pursuit of export activities. Following the motivation to export, the results are discussed separately for the non-exporters, indirect exporters, and direct exporters.

Non-exporters

From non-exporting firms, the desire to expand to international markets was captured. In response to the question asking whether they plan to export, the answer was certainly obvious. One of the non-exporters was a leading horticulture manufacturer and supplier in Vietnam. Due to their high involvement in the importing process of raw materials, they realized that their products have a high demand in foreign markets.

"Many! Many intermediaries contacted us. But they left because we could not offer a competitive price […] it does not work out yet."

[No Export\5.Transcript_17.03.2016; P: 66-67]

Although they can survive in the domestic market, export is a desiring option. However, the export process could not be established due to the difficulties of fulfilling standard requirements and pricing issues. Non-exporting firms also confirmed that they are strongly motivated by the intermediaries to export the products. However, some obstacles still hinder their export activities.

"[…] it requires a lot to make it happen […] we are finding middlemen to export our products to Japan. They know what we should do, they know the procedure and how to produce standard products."

[No Export\5.Transcript_17.03.2016; P: 64-64]

Another non-exporter also confirmed that participating in global trade is in line with their long-term vision. For them, it is important to be technologically advanced and construct a good foundation in the domestic market before conducting export.

"I think the demand to go to foreign markets is high. As we have seen recently, even the start-ups are also internationalizing because the domestic is not anymore potential. There are some markets still behind the Vietnamese market. Thus, we can believe that the firm demand to expand to international markets is even more realistic."

[No Export\9.Transcript_1.5.2016; P: 56-57]

According to the non-exporter, going international seems to be a natural phenomenon when the domestic market has reached its supply saturation. Interestingly, it was pointed out that even the small and young firms and even start-ups have been well-faster preparing for global trade than the old traditional manufacturing firms.

Indirect exporters

A similar question was delivered to the indirect exporters regarding the motivation starting export. Indirect exporting firms often select local trade intermediaries as one of the channels for export. The partnership with trade intermediaries can be seen as a good option for the manufacturers to reach overseas markets, as it allows firms to shorten the learning process and avoid risks in cross-border transactions. Indirect exporting firms additionally highlighted the importance of knowing their products' final users are one of the motivations to adopt direct export or shift from indirect to direct export mode. Moreover, the enthusiasm to start exporting was changed from benefit-interests to independency-interests. As such, the limited delivery channels and trading options stimulate firms' intensive involvement in exporting accomplishments.

"Having experiences with so many formal procedures, although we control better on what we produce. I admit that we only want to export directly. I think we can control the process and the production output."

[Indirect Export\7.Transcript_19.03.2016; P: 42-42]

Direct exporters

For the direct exporting firms, the initiation of enrolling export has been set intendedly and strategically. Exporting decision is made based on the availability of market demand, as well as the capability of the business owner. Different from indirect exporting firms, direct exporting firms must have information and understanding of the export destination country. In the first accomplishment of direct export transaction, the direct exporters reaffirmed the importance of risk-taking effort and recognizing trade-off opportunities as an incentive.

"We exported to Germany for the first time. We lived in Germany and it was the main reason we wanted to do some import-export business between Germany and Vietnam. At that time there were still very few Vietnamese restaurants. We realized that we could come up with some plans to provide what the restaurants needed."

[Direct export\8.Transcript_19.03.2016; P: 29-29]

"I can say that the difference between direct export and indirect export is the dependency level. When we have a direct export, the business brings us many valuable feedbacks, which come directly from the partners. We can make some mistakes, but then we learn how to solve it and improve the situation better."

[Direct export\8.Transcript_19.03.2016; P: 62-62]

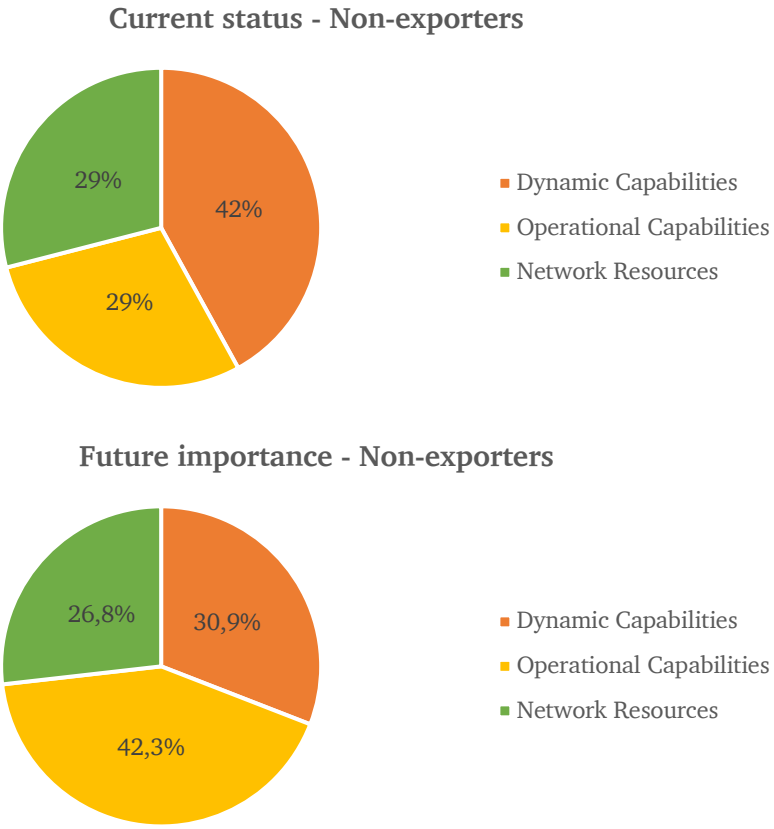
5.1.3 Frequencies of codes

The approach to study the performance process of a firm is rather complex. It requires a suitable research method approach. Most often, one of the most common methods for qualitative process research is to employ longitudinal cases in a specific context. This method enables researchers to analyze real-time events, influencing factors as well as consequent changes. Adopting from this promising methodology, however, requires huge efforts of spending time and cost. As an alternative, the qualitative interviews allow the researchers to conduct process analysis through delivering questions about the past, the present and the future. The author, therefore, was able to trace and understand the development phases of a firm. Especially the aims to recognize which factors initiated their export, how do they currently perform and what look like in the future. In the next figures, the three main categories ‘dynamic capabilities’, ‘operational capabilities’ and ‘network resources’ and the sub-codes were presented. The percentages of total codes compare different phases within each group using Sub-codes statistics functions.

Non-exporters

For the non-exporters, only two phases 'current status' and 'future importance' have been asked. In both phases, capabilities perceived the more codes compared to network resources. This explains that 'capabilities' is a more relevant and interesting concept for non-exporters when discussing their firm performance. However, dynamic capabilities were more relevant for current status, while operational capabilities were more emphasized for future importance.

Figure 24. Code frequencies of non-exporters

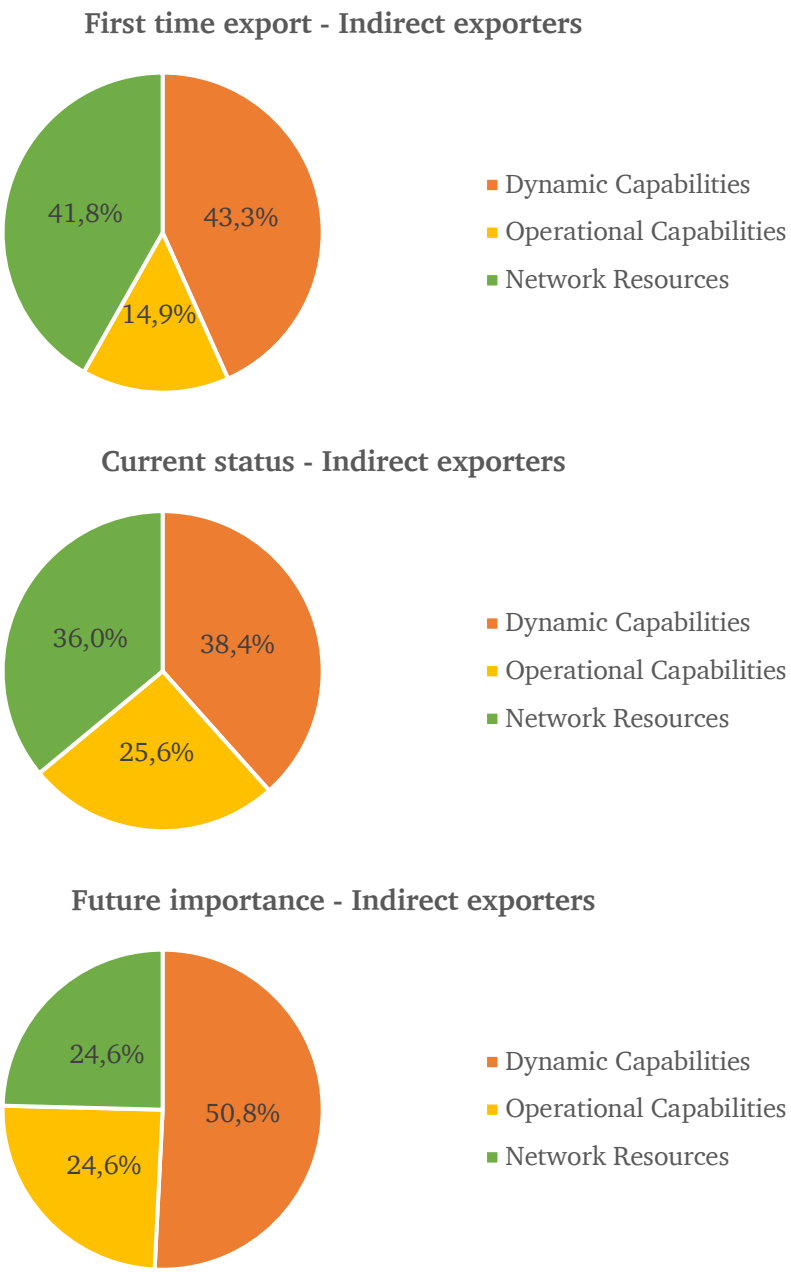


Source: own elaboration

Indirect exporters

Different to non-exporters, dynamic capabilities were the most discussed concepts in all three phases of indirect exporters. And a notable concern is that 'operational capabilities' were least discussed, although received the same frequencies in future importance.

Figure 25. Code frequencies of indirect exporters

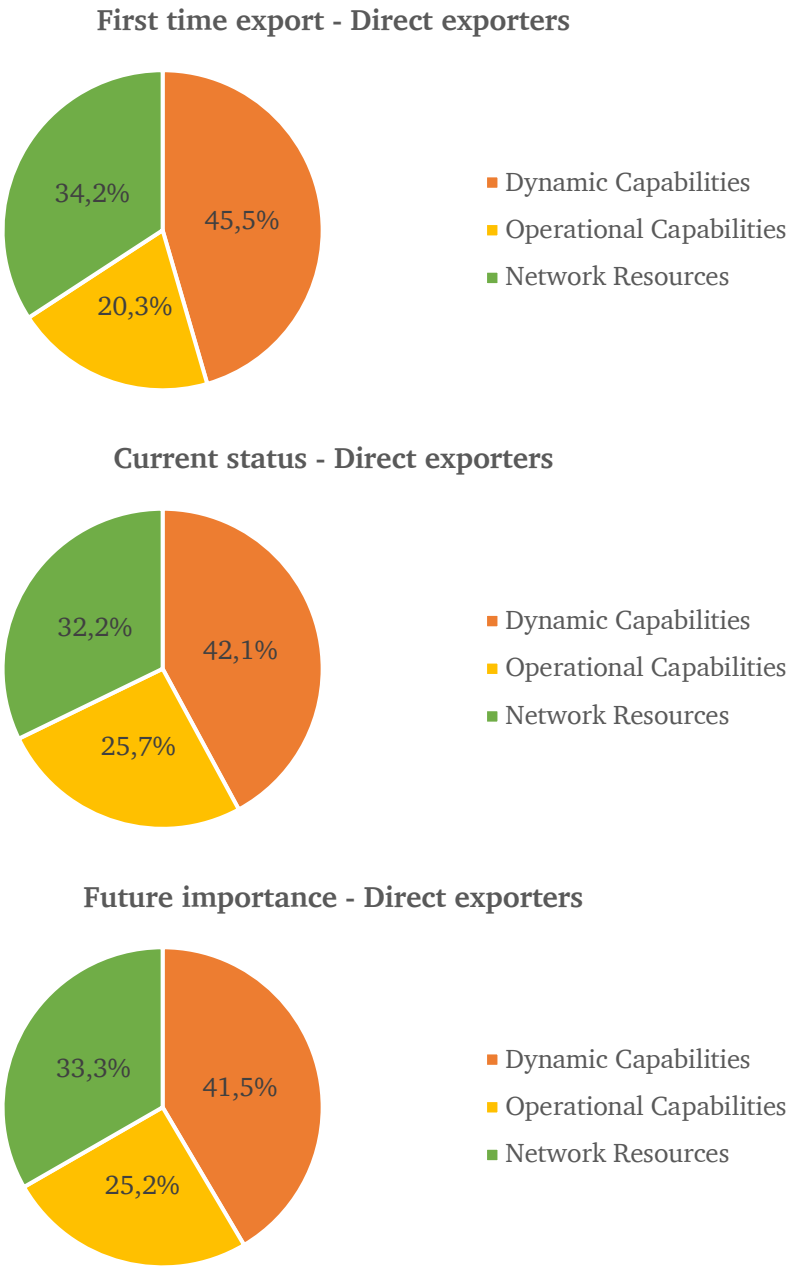


Source: own elaboration

Direct exporters

Similar to indirect exporters, direct exporters showed more interest to discuss dynamic capabilities, while less information was given to network resources. Network resources appear to be still relevant with direct exporting firms in the later stages of export compared to their first-time export. While this figure for non-exporting and indirect exporting firms gradually decreases in later stages.

Figure 26. Code frequencies of direct exporters



Source: own elaboration

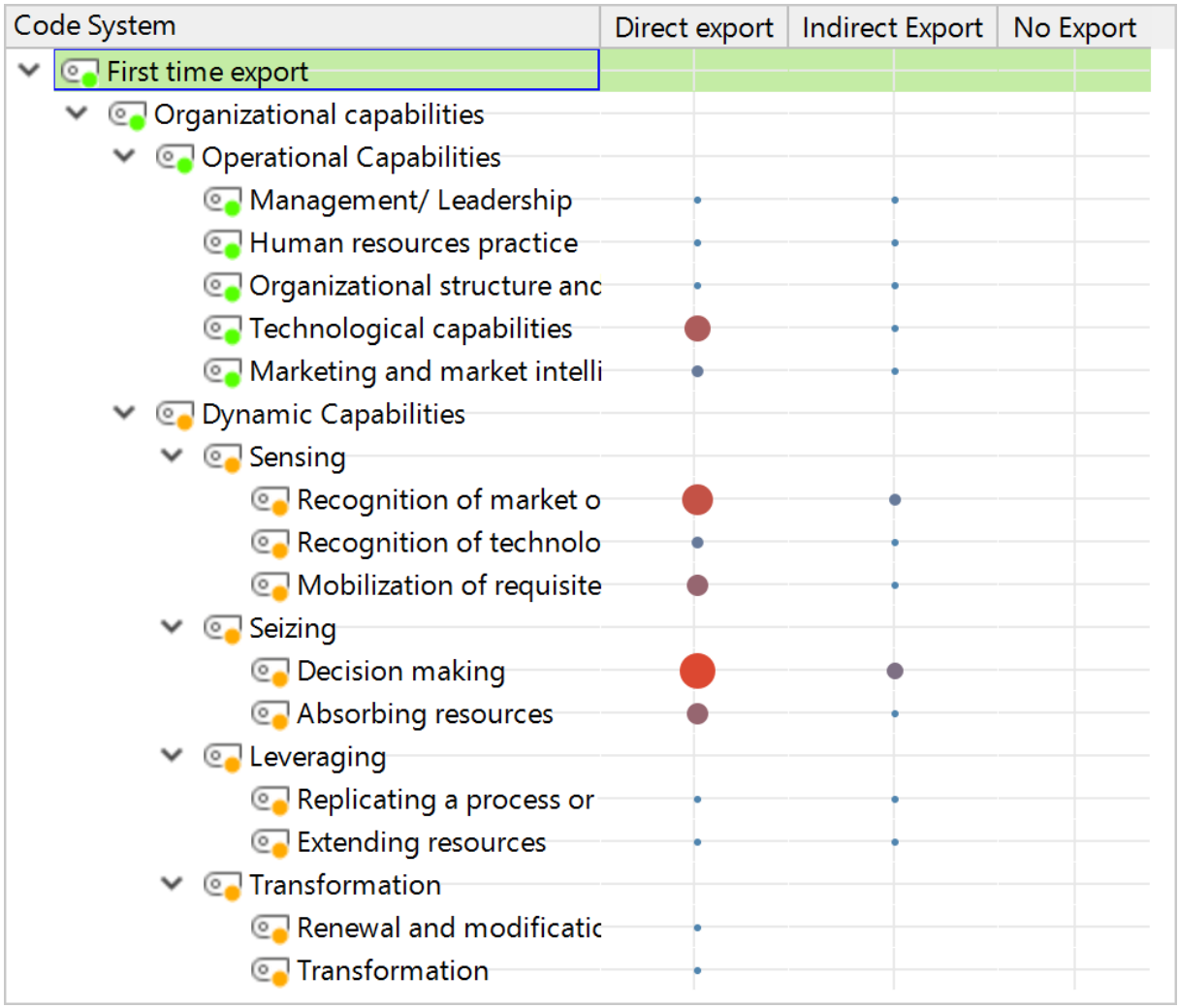
Further analysis of specific categories and sub-categories comparing the three groups within each phase are presented in the following sections.

5.1.4 Capabilities and Resources utilization in First-time export

This section aims to answer **the research objective 1:** What are the patterns of organizational capabilities and network resources used in the first-time export of the direct and indirect exporters?

Patterns of Capabilities in First-time export

Figure 27. Code matrix of organizational capabilities in first-time export



Source: own elaboration

Operational Capabilities

In this section, the interviewees were asked to clarify the most important issues related to their export activities and the factors that enable and facilitate the first export transaction. The interviewees were asked to describe the capabilities needed and development since the first time they export. Depending on the answers of the respondents, the further questions needed to be modified so that it could additionally explore in-depth the situation and re-confirm the issues that have been given. Five factors have been coded, including management and leadership as the first category, human resources as the second category, organization structure and routine as the third category, technological capabilities as the fourth category and marketing, market intelligence is the fifth category. The non-exporting group is excluded in this phase, as they were only asked to provide information on the other two phases.

Indirect exporters reported that human resource practice, such as having a senior manager with previous working experience is highly relevant and important. Management and leadership are less concerned with indirect exporting firms at the first-time export, as they reported once that learning from previous exporters is their major reason to follow the exporting path. Instead, indirect exporting firms emphasized the importance of **human resources,** in which previous working experience plays the main role, especially from the business owners.

"We learn from previous exporters. It is our weak culture that we do not value the stability issue. We also define our strategy clearly."

[Indirect Export\7.Transcript_19.03.2016; P: 34-34]

"I worked for Duy Tan Plastics Corporation for a couple of years. I worked with foreign companies, some of them wished to import these plastic products. Later on, I realized my potential competence in doing business in this area."

[Indirect Export\1.Transcript_15.03.2016; P: 17-17]

Regarding **management or leadership** issues, direct exporters reported the importance of previous working experiences. Although the manager must regularly make decisions, it requires a sufficient level of professionalization. Management style has been demonstrated. According to one direct exporter, their exporting products have a better

focus on the functions and quality. Similarly, investing the right way in machinery is also important, as it will result in low-cost maintenance in the long-term. Compared to indirect exporters, direct exporters invest in both employees and managing people as a foundation of collaboration within its organization.

"[…] the CEO is an expert on technical issues. And I am more familiar with sales and marketing. We work together for more than 20 years and supplement each other."

[Direct export\6.Transcript_16.03.2016; P: 63-63]

"Our CEO is interested in rice exporting in general. It is because of his expertise, his background, experience and passion."

[Direct export\4.Transcript_19.03.2016; P: 21-21]

"We did differently with most exporters. We did not focus too much on the aesthetics of the product. Instead, we invest more in functions and quality. In Vietnam, the manufacturers are favorites of second-hand engines. We don't do that. Because we know if the machine has any problem. It will cost a lot to send our technical team to Africa for maintenance. Additionally, we might lose our customers because we do not have a strong network in Africa yet. Therefore, we take this issue very seriously."

[Direct export\6.Transcript_16.03.2016; P: 42-42]

Organizational structure and routine is another factor that differentiates direct and indirect exporting type. Direct exporting firms informed that they focused on export in the early phase of operation, meaning that they had prepared for building the necessary infrastructure to take care of customers' services. While indirect exporting firms are also taking care of the routine, but more focusing on the internal workflow, especially organizing the employee workload within their operation.

"We defined as the early stage our focus on exporting. Therefore, we invested in building warehouses […] Moreover, we try to keep our products quality stable."

[Direct export\4.Transcript_19.03.2016; P: 23-24]

"This unit has a long family tradition. We know some special techniques that could help the workers follow the hottest model very closely and sell in here locally."

[Indirect Export\2.Transcript_15.04.2016; P: 16-16]

One of the major differences have been discovered within the operational categories are **technological capabilities**, particularly related to the production process. Direct

exporting firms are more technically driven by knowledge, cost investment and partnership building. Their main goal is not only to produce high-quality products but also to ensure to reduce the production cost, increase productivity, and stabilize the quality. Indirect exporting firms are also concerned about the technical aspect because it is necessary for them to fulfill the required standards.

"We analyzed the needed modifications. The Vietnamese producer could not do this modification without us. Importantly, the modification process involved many sophisticated steps. Thus, we take that chance to involve ourselves as a technical consultant."

[Direct export\6.Transcript_16.03.2016; P: 38-38]

"To assure best quality products, we import high-quality engines from Germany. Some smaller parts, we import from Taiwan instead of China. By doing that, we manage the production cost."

[Direct export\6.Transcript_16.03.2016; P: 43-43]

"[…] we also need to fulfill the requirement from customers. We need to explain to them about our production process and let them examine the conditions. We need to prove to them that we fulfill all the standards. And importantly we have to keep doing that regularly."

[Indirect Export\7.Transcript_19.03.2016; P: 38-38]

In general, the differences in technological capabilities between direct and indirect firms are highly concerned, as one is opportunity-based and the other one is necessity-based. First-time export perceives some main distinctions between direct and indirect exporting firms. Another factor that is also valuable to discuss is the practices of marketing and market intelligence. Direct exporting firms set up their export activities since its first-day launch, thus foreign markets are the priority, while indirect exporting firms have been operating already in the local markets. Export is a plus strategy to maintain business performance and keep growing. The central issue that has been found within indirect exporting firms is that there is a lack of branding and product promotion campaigns to the final consumers, the one that might not have sufficient interaction to understand from the demand sides fully. Besides current operational performance, another perspective has been discussed to deeper understand how firms implement, execute, and adapt their strategy after the first-time export. In the

international environment, direct and indirect exporting firms were asked to clarify the capabilities that helped them overcome difficult situations, as well as make appropriate decisions. The next section introduces abundantly information regarding this particular determination.

"[…] we take care of promotion and aftermarket issues. We also consider solving the problem of faulty shipment to make our customer happy. And moreover, we try to keep our products quality stable."

[Direct export\4.Transcript_19.03.2016; P: 23-24]

"Second, after entering a new market, we think of building a brand. We must do it in order to export to another market. That is our long-term strategy."

[Indirect Export\7.Transcript_19.03.2016; P: 37-37]

Dynamic Capabilities

In this section, nine factors have been coded and divided into four sub-categories. The first category is sensing which refers to the firm's capabilities to sense and shape the opportunities, especially the technological opportunities, the requisite resources, and the market opportunities to export for the first time. The second category is seizing, which refers to the capabilities of utilizing resources and making decisions. The third category is leveraging, which refers to the firm capabilities of replicating a process or system to an alternative one and extending the use of available resources. The fourth category is transformation, indicating how firms can maintain their competitive edge by focusing on their core competencies and recombine their resources for an attended purpose.

The different capabilities of **sensing** among direct and indirect exporting firms are related to three dimensions: technological opportunities, market opportunities and resources mobilization opportunities. Observing the recognition of technological opportunities, direct exporting firms began their productions by importing machinery from countries with advanced machine engineering for industrial machineries, such as China, Taiwan and Germany. Additionally, partnership with other technical parties, both internationally and locally, is also one way to develop the actual business.

"We export because we see the market demand. We know that the senior market access is difficult. Therefore, we reach some smaller markets at the beginning."

[Direct export\10.Transcript_17.3.2016; P: 20-21]

"We then compare the Vietnamese rice plants and try to match the similarity. We realized the soil and plant condition in Tanzania are quite similar to Vietnam."

[Direct export\6.Transcript_16.03.2016; P: 37-37]

"We divide the team to work with each market. They work independently and separately. In the beginning, we find it difficult to approach the developed market. From lower quality output that we provide for the developing market, there is a gap that we need to fill it up."

[Indirect Export\7.Transcript_19.03.2016; P: 26-26]

"We have a partner from IRI, Philippines (he is German) specialized in rice technology. They sell advanced technology to Vietnam and we were one of the importers. We also work with the Energy Center at the University of Culture (HCMC). This triangle connection helped us to develop the actual business."

[Direct export\6.Transcript_16.03.2016; P: 24-24]

"To assure best quality products, we import high-quality engines from Germany. Some smaller parts, we import from Taiwan instead of China. By doing that, we manage the production cost."

[Direct export\6.Transcript_16.03.2016; P: 43-43]

"At the beginning, we are a simple manufacturing unit. This unit has a long family tradition. We know some special techniques that could help the workers follow the hottest model very closely and sell in here locally. When we produced the products and started selling, some customers realized our activities and started purchasing."

[Indirect Export\2.Transcript_15.04.2016; P: 16-16]

It is important to know that the availability of local material suppliers is fundamental to direct exporting firms. However, they must have a good sense of **mobilization of requisite resources** to transform these resources into a feasible business opportunity. Although there is the availability of local raw materials, not all sectors can sufficiently meet the demand volume. Some firms have to import materials from other countries, especially when the supply price is sensitive and competitive.

"We also have a rich amount of raw material to process thanks to the favorable condition of Vietnam with a long sea coast and plenty of seafood. There are also many seafood farms in the southwest region working with us as local suppliers"

[Direct export\10.Transcript_17.3.2016; P: 29-30]

"The good thing is Vietnam has almost everything ready to export rice, and we find it easy to start right away. Vietnam is a rice country. We have enough rice to export on a big volume. So, we just simply do it."

[Direct export\4.Transcript_19.03.2016; P: 35-35]

"To meet the export volume, we also have to import from other countries. We buy mainly from Africa and Cambodia because they are cheaper. We also buy machinery and equipment from China."

[Direct export\3.Transcript_18.03.2016; P: 22-22]

"Honestly, I have some years of experience in the sector when working for a plastics company. From that experience, I realize what a firm needs to be exporting ready. And indeed, we learn from sharing with people in the industry."

[Indirect Export\1.Transcript_15.03.2016; P: 42-42]

Concisely, the main differences regarding sensing capabilities between direct and indirect exporting firms are the recognition of market opportunities. Indirect exporting firms are fortunate to get their business expanding from the customers. Furthermore, being in contact with potential partners that have been known during the previous business cooperation also leads to positive cooperation, as these partners tend to keep collaborating on the existing and trusted contact. At the first-time export, one of the issues that had been discussed was understanding how firms could successfully implement their exporting activities, after recognizing the necessary opportunities. It is prominent that firms need to take steps to **seize** their success in internationalizing: to make a decision and to absorb essential resources. Direct exporting firms stated that they have to be risk-taking ready, while indirect exporting firms revealed that not only product quality, but product origin which separates them from the Chinese competitors, is one of their strategic decisions. Heretofore, little information was found regarding the leveraging and transforming capabilities. The next sections explore how firms utilize network resources in the first-time export

"Risk-taking is a must. There are many challenges. We think of cost and benefit. However, we thought that we could try first to see whether it fails or not. Risk-awareness is necessary, but we have to accept failure."

[Direct export\6.Transcript_16.03.2016; P: 55-56]

"We export diversified numbers of products depending on the market need […] we export only products made in Vietnam, products that are more competitive than the Chinese products. We exported quite successfully."

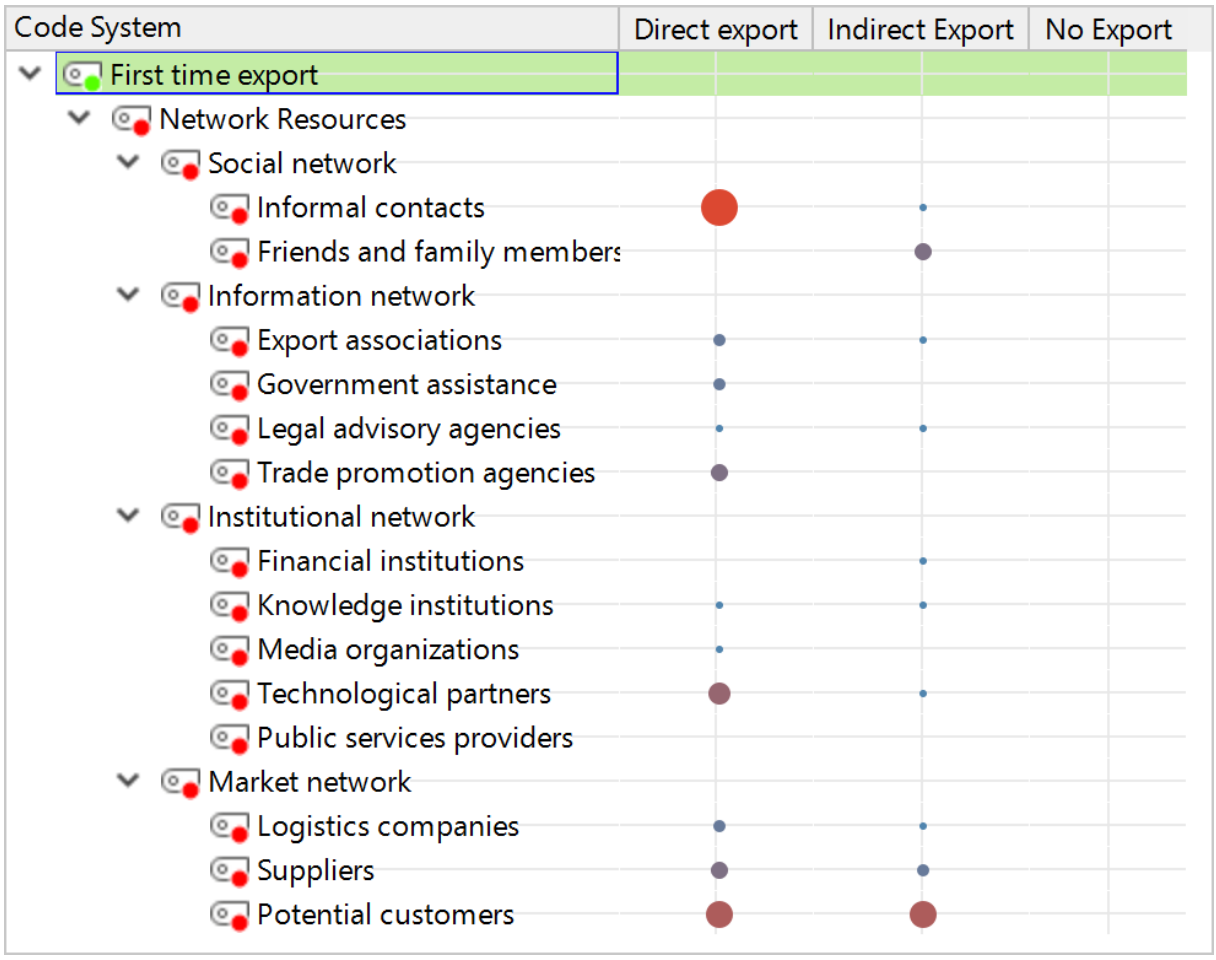
[Indirect Export\7.Transcript_19.03.2016; P: 16-16]

"We know that if we could access one market, we could access the rest. We choose Japan as the first developed market to export."

[Indirect Export\7.Transcript_19.03.2016; P: 31-31]

Patterns of Network Resources in First-time export

Figure 28. Code matrix of network resources in first-time export



Source: own elaboration

Building well-established networks has become an essential part of the success of internationalizing firms. In this section, four sub-categories have been coded. The first category is social network, indicating the role of informal contacts and family roles. The second category is information network, includes export associations, government assistance, legal advisory agencies indicate whether firms need to use legal consultant services for the export customs and procedure, and trade promotion agencies. The information network is very important, as it refers to firm pro-activeness in seeking information and new export opportunities. The third category is institutional network, which refers to the firm relationship with media organizations, financial institutions, and knowledge organizations such as universities and research institutions. The fourth category is market network, highlighting with logistic companies, suppliers, and potential customers.

In general, approaches to available network channels are different firm by firm. While some firms only focus on important networks, in spite of that, the majority have to find their partner within their target market. Starting without a connection is merely unmanageable to carry on export. Foremost, both direct and indirect exporting firms have recourse to **social network**, including informal contacts, friends, and family members.

"Also, very important is that we have contacts with the Vietnamese in Germany. We talked to them, invited them to buy from us. We tried for a small volume first. That's how we started."

[Direct export\8.Transcript_19.03.2016; P: 31-31]

"When I started our exporting business, there were also some friends who wanted to help us. I was very lucky to have this support. But the potential contacts also come from my previous working places […]"

[Indirect Export\1.Transcript_15.03.2016; P: 28-28]

In pursuit of **potential customers**, one of the most interesting findings is the involvement of trade intermediaries in the manufacturing sector, even for direct exporting firms. They have connections with the local trade intermediaries as an information network to find potential customers. In contrast, indirect exporting firms rely on intermediaries as a main exporting channel. For that reason, trade

intermediaries often play a strong role in shaping exporting activities within the manufacturing sector. The major difference in the use of network resources is taking advantage of the support of **trade promotion agencies**. Direct exporting firms were active in the first time of export to participate in different trade fairs and information channels to seek for support and find the potential clients.

"Our manager worked before for the government in the export-import department. He has many years' experiences in export and international trade. Later when he founded this business, many references and customers from HCMC contacted him. The intermediaries provided him key customers from abroad and received commissions. He developed a very broad and good connection to run this business smoothly."

[Direct export\3.Transcript_18.03.2016; P: 20-20]

"At the first time before we could export, we went through many forms, mainly through trade fairs."

[Direct export\10.Transcript_17.3.2016; P: 17-17]

"Through many years exporting to the Western countries, we learn a lot from the fair trades. It's a good channel to help us get more clients in the international markets. It's worth paying for this cost so we can do marketing ourselves."

[Direct export\10.Transcript_17.3.2016; P: 50-50]

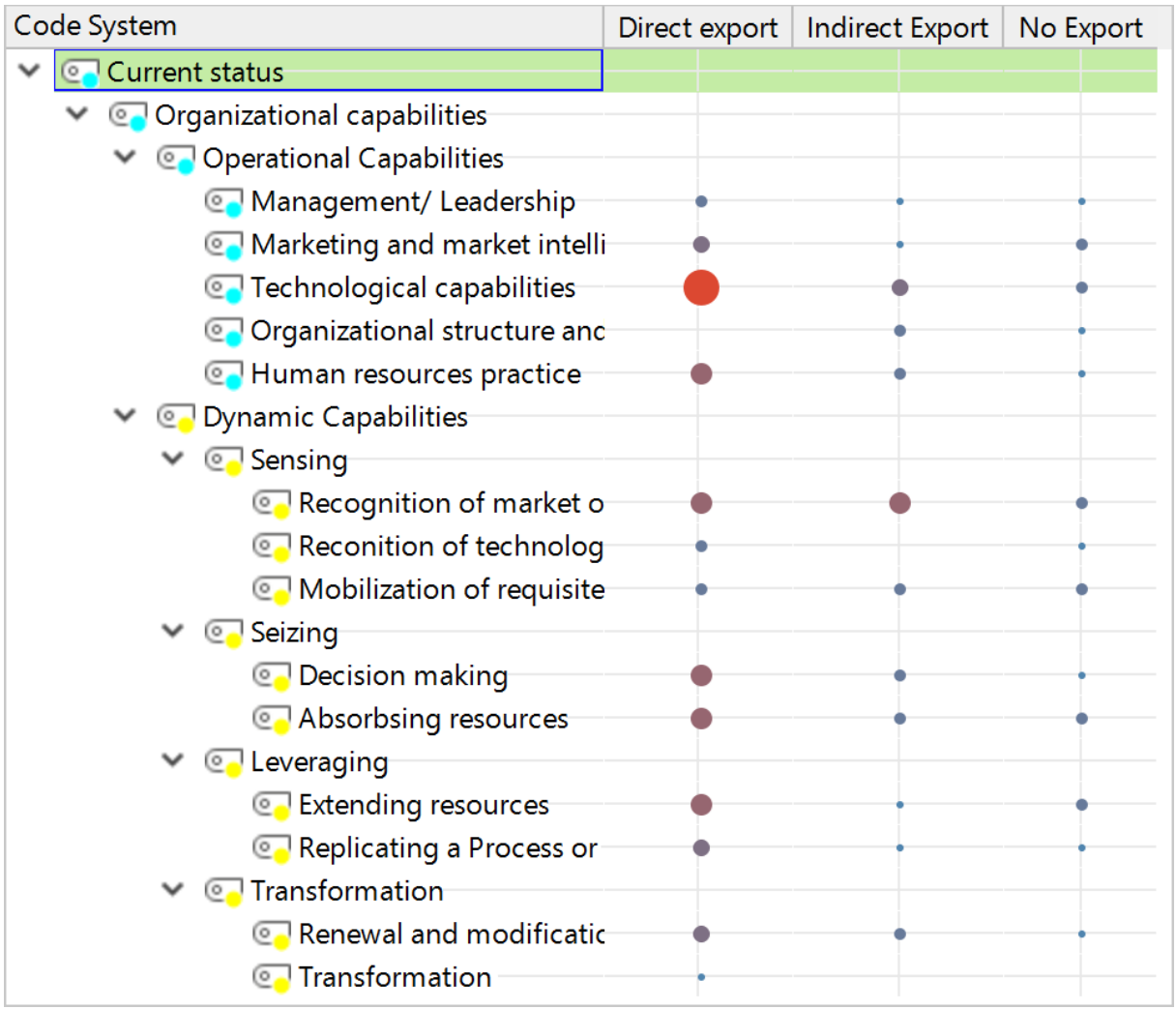
To summarize some key highlights in this section, it can be acknowledged that local trade intermediaries and informal business contacts play a key role in enabling indirect export. Alternatively, direct export additionally exploits the advantage of trade promotion agencies to seek valuable information and potential contacts. In the following section, more patterns will be added to the study concepts, exploited by the non-exporters, indirect exporters, and direct exporters. The focus of exploring these patterns is to deepen the understanding of current firm practices and performance.

5.1.5 Current Status of Capabilities and Resources utilization

This section aims to answer **the research objective 2:** What are the patterns of organizational capabilities and network resources used at the current status of the non-exporters, indirect exporters, and direct exporters?

Patterns of Capabilities in Current status

Figure 29. Code matrix of organizational capabilities in current status



Source: own elaboration

Operational Capabilities

An interesting aspect has been found in this section is the higher level of **marketing and market intelligence** involvement of direct and non-exporting firms than indirect

exporting firms. Direct exporting firms are confident with their brand as it could satisfy the customers. Non-exporting firms that have a high orientation to export also intensively improve branding recognition to overcome other challenges. Upgrading packages using premium material is one of the solutions to become attractive. Direct exporting firms showed their awareness of recent **technology** changes and influences, reporting that adding an automatic production system was a recent update, even though the cost was high. It was difficult for them to afford these systems at the beginning of the exporting process. The advantage of adopting **automation** is that it helps to reduce labor costs. Direct exporters confirmed that by using machinery, they could be able to cut from 1000 to 300 employees.

"It is also very proud to say that we satisfy the buyers. Among many other seafood exporting companies, we are quite confident with our quality. We export finished products with our brand name on the package. We are among the fine exporters in Vietnam."

[Direct export\10.Transcript_17.3.2016; P: 48-49]

"We first checked what we really needed before we imported anything. Sometimes we can find the alternatives here, but the local products are not good enough. We need something more special, well designed. Before, our family spent some time studying the Thai markets because they are very successful in this sector. Then we visited Thailand to see their real market. We made some connections and brought what we need to Vietnam."

[No Export\5.Transcript_17.03.2016; P: 25-26]

"In Ho Chi Minh City, we have a production unit. Recently, we even built an automatic packaging system which is quite costly."

[Direct export\8.Transcript_19.03.2016; P: 21-21]

"We do but it is not a priority. We rather use machinery to process rice with acceptable quality. The automation allows us to produce stable quality products. It also helps us to reduce labor costs."

[Direct export\4.Transcript_19.03.2016; P: 47-47]

"[…] Because we apply machinery, we don’t need that many workers. The machines are more productive. We enhance automation and adoption of new technologies. Workers are no longer competitive and must leave."

[Direct export\3.Transcript_18.03.2016; P: 16-16]

They also need to employ some specific technique in their field so that they are not only able to invent new interesting products, but also be different from other competitors. Without technology intervention, firms cannot control the stable quality of the exporting products, which is constantly required by the customers. Indirect firms also recognized the importance of technology. However, it is even more interesting that they are taking care of the design. The other way around, a direct exporting firm has approved that quality control is more important than the outlook. The non-exporting firm correspondingly agreed that a product should be special and well-designed. Especially, it should be unique in the local market.

"They are most interested in herbal tea. Herbal tea is different from normal tea that we can find normally in the supermarket. Our herbal tea is extracted from herbal plants. It is new and healthy."

[Direct export\8.Transcript_19.03.2016; P: 27-27]

"We do understand our customers and how to produce suitable products. We think that we can control the stable quality of our products."

[Direct export\4.Transcript_19.03.2016; P: 29-29]

"Our production focuses on two things: design and idea. Our production process focuses on small details. We are most confident about the production/ manufacturing process."

[Indirect Export\2.Transcript_15.04.2016; P: 36-36]

"Sometimes we can find the alternatives here, but the local products are not good enough. We need something more special, well designed."

[No Export\5.Transcript_17.03.2016; P: 25-25]

Dynamic capabilities

In this section, it is found that **extending resources** brings some differences among the three groups for discussion. Direct exporting firms keep exploring new contacts and market networks. Especially, with the purpose of fulfilling the large exporting volume in which the local suppliers cannot assure, direct exporting firms have to look for alternatives from abroad. Fulfilling employment shortages and salaries increasing is a typical challenge for manufacturing firms. To overcome human resources difficulties, they have to invest in automation and machinery. At the same time, indirect exporting

similarly showed interests in services orientation. Trust has to be delivered on top of the negotiation process. Intriguingly, indirect exporting firms faced some challenges with unfair competition, which let them be more sensitive about acquiring and refining their business reputation.

"We have more sales every year. Our business partners are not only from one or two countries. I am happy that we do a good job and have more friends."

[Direct export\8.Transcript_19.03.2016; P: 60-60]

"To meet the export volume, we also have to import from other countries. We buy mainly from Africa and Cambodia because they are cheaper. We also buy machinery and equipment from China."

[Direct export\3.Transcript_18.03.2016; P: 22-22]

"The biggest challenge is to deal with human resources. We also have a problem with the quality of labor, who can generate high output. Labor costs also increase. Our company recently invested in automation as a replacement for employee shortages."

[Direct export\3.Transcript_18.03.2016; P: 28-28]

Interestingly, there was not much information from indirect exporting firms on how they deal with the extension of resources, but it was found out that non-exporting firms also considered foreign suppliers as a good alternative for extending the resources. A direct exporting firm stated that keeping focusing on the major exporting products is one of their strategies to maintain competitiveness. Besides focusing on a specific exporting product, stabling the price or adopting new technologies, and especially taking care of the customer services are other concerns to be competitive. Derived from the first stage of export until the current stage of export, direct exporting firms seem to have a little **shift from production-oriented to services-oriented** to fulfill the market gaps and win over other new establishing-competing businesses. For non-exporting firms, it is found that traditional production techniques are highly evaluated. The techniques are rather being kept secret and thus help firms to be competitive in the local market.

"Yes, we import seedlings, cutting flowers from abroad. We import some special types from Thailand. There are also some materials that we have to buy from Taiwan, China

because we don’t have them here in Vietnam. Some premium types we need for packaging, we can only find from abroad as well."

[No Export\5.Transcript_17.03.2016; P: 23-23]

"We also offer a good price. I think our price is competitive to win over other exporters. We try to maintain our price being stable year by year. The market demand is changing quickly with increasing hidden costs, we think that trying to offer a competitive price is important to hold long-term contracts."

[Direct export\10.Transcript_17.3.2016; P: 51-52]

"Herbal tea is now our new product. We currently focus only on this product. We have some targeted markets and of course, we are looking for its exporting market. Not like other food products that we have exported before, we are investing in this new product, especially in the production process. In Ho Chi Minh City, we have a production unit. Recently, we even built an automatic packaging system which is quite costly."

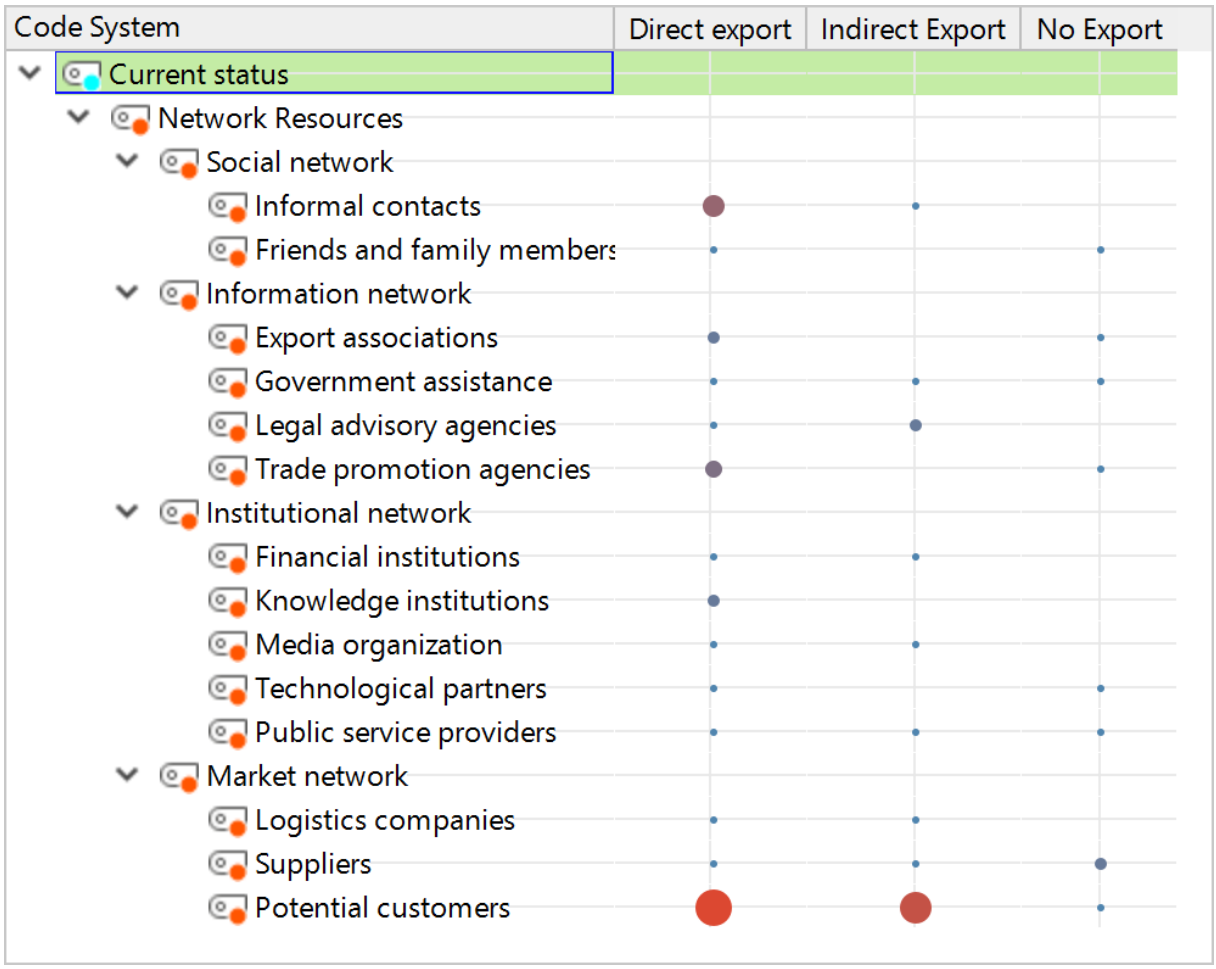
[Direct export\8.Transcript_19.03.2016; P: 19-21]

"We do not focus on selling quantity. Focusing on how much you can sell with the developed market is a wrong approach. You will not succeed long-term without building your own brand. The sale turnover is not a good indicator of a successful business. We reinvested in building Vietnamese brands for exporting."

[Indirect Export\7.Transcript_19.03.2016; P: 49-49]

Patterns of Network resources in Current status

Figure 30. Code matrix of network resources in current status



Source: own elaboration

Direct exporting firms take the initiative in connecting with **potential customers**, as the most principal goal is to find out who will sign the sale contract. With direct exporting firms, approaching potential customers must be fast, precise, and selective through effective communication channels. In contrast, less information has been given regarding potential customers from non-exporting firms in the current stages. While indirect firms gave a more specific message regarding the middlemen. Non-export firms were more sensitive to providing details on their current customers. Incidentally, the two non-exporting companies selected to interview have to compete intensively in the domestic market. Thus, securing trading information in such an environmental context like Vietnam can sometimes be a common practice. The indirect exporting firms

associate with the middlemen in different ways. Apart from the supply-demand commitment, the intermediaries also play a vital role in supporting logistics and storage solutions. The active role of local intermediaries does not only facilitate the export but also close the gap of international market uncertainties, thus enabling local manufacturing firms to internationalize.

"Once we define this group of buyers, we target them precisely and quickly, through partners, references and personal contacts like I have explained."

[Direct export\8.Transcript_19.03.2016; P: 81-81]

"Basically, the domestic market is very small, there is no potential demand. Therefore, I was aware of making this product to serve foreign markets, to export. And fortunately, we had the orders for export from the middlemen. These buyers contact us directly and order our products to some foreign markets. Myself and the family, even though with a little intention, we have not yet exported directly."

[Indirect Export\2.Transcript_15.04.2016; P: 23-23]

"However, the key element contributing to our business activities, I believe, are the intermediaries. They are currently the buyers from us. They buy our products and sell them to Japanese firms. Japanese phone manufacturers want to have our products to complete their phones."

[Indirect Export\1.Transcript_15.03.2016; P: 50-50]

Enjoy the decent proportion of domestic raw material and the robust demand of foreign customers, direct exporting firms take advantage of being connected between the demand and the supply sides. Correspondingly, not counting from importing spare parts, in a field that requires an explicit production technique, non-exporting firms expressed that having a **technological partner** or hiring foreign experts would assist the manufacturing process.

"Luckily in the seafood sector, we have on one side a strong and regular demand from overseas buyers, and on the other side the availability of supplying raw material. To keep going further, we might need to take care of the external relationships."

[Direct export\10.Transcript_17.3.2016; P: 65-66]

"Yes, we do have collaboration. We collaborate with Taiwan to develop our technical skills, mainly on the personal level."

[No Export\5.Transcript_17.03.2016; P: 62-62]

Regarding the inquiry about **financial accessibility**, a direct exporting indicated that a bank is the only means to handle the financial resources. Besides, it was strongly stated that using cumulative capital is a precondition to building up the business. Nearly in the same situation, an indirect exporting firm also emphasized the difficulty of financial accessibility to scale up the business activities. The informants were asked whether the firm has connections with the **research institution or universities**. One direct exporting firm acknowledged that collaboration with a research institution strengthens their business situation, as a research unit is not strong at commercialization. Direct exporting firms are actively involved in different **trade promotion agencies**, plus willing to pay. The benefit of being involved is to find potential clients, to get useful information, to promote and also to communicate. Among the three types of firms, one direct exporting firm indicated that the **government incentives** are exceptionally favorable. While indirect exporting firms have little to provide their relationships with the government, and non-exporting firms struggle most with the tax incentives and the frequent changes of the policy condition.

"Most likely no. We have to build up this business on our own strength. We are self-reliant and self-dependent. Except we received loans from the banks."

[Direct export\4.Transcript_19.03.2016; P: 31-31]

"We also look forward to more importing activities because there is demand in the local market. We want to provide materials for local firms as well. However, we find it difficult to finance. We are lacking capital to invest and scale up our business."

[Indirect Export\1.Transcript_15.03.2016; P: 25-25]

"The lucky thing is that our technical partner in the Philippines is a research institution. They are not very strong at production or business services or international trade. They cannot work as a business unit. The Vietnamese institution is also similar. Thus, they need us."

[Direct export\6.Transcript_16.03.2016; P: 51-51]

"We join exhibition and sale promotions. Thanks to the time living abroad and getting to know different intercultural communities, we find it easy to communicate with foreign customers."

[Direct export\8.Transcript_19.03.2016; P: 37-37]

"All cashew processing enterprises were supported by the provincial committees without paying taxes for the first 10 years. That is tax incentives for our company, for our industry in this region. This incentive is regulated by the government policies due to the remote areas, due to the number of employees, industrial zones, etc."

[Direct export\3.Transcript_18.03.2016; P: 32-32]

Within this stage, it is also critical to recognize that although most direct exporting firms are involved in **export associations**, not all fully enjoying being a member. On one hand, firms receive good market information, on the other hand, they experience the unfavorable competition among the memberships. Responding to social networking skills, most direct exporting firms agreed that **social communication** is essential to building up valuable contacts for future collaboration. The social contacts enable firm managers to develop a trust-based relationship and a better understanding of how to manage it. At the same time, an indirect exporting firm also corresponded that **personal contacts** played a substantial role in supporting the exporting process. Similar to indirect exporting firms, although there is always a level of association with social contacts, non-exporting firms also profit from variation in daily patterns of social contacts. The difference of direct exporting firms is that the way to approach is more externally focused and marketing focused.

"We are a member of the Seafood Association. We are not an active member but we find it useful to be part of this association. They do not only offer information regarding export promotion, but they also offer regular training sessions, often free of charge. We send our people there to listen, to study."

[Direct export\10.Transcript_17.3.2016; P: 59-59]

"Being a member of the export association is valuable to us. Although many firms do not seriously evaluate the role of the associations. It is like many other associations that you might not fully enjoy by paying the membership fee."

[Direct export\10.Transcript_17.3.2016; P: 61-61]

"Occasionally, on a personal visit, these customers are very comfortable to tell us which offer they really want. For example, they can explain what they expect from package design, or what they expect from the taste."

[Direct export\8.Transcript_19.03.2016; P: 45-45]

"There are people who wanted to help when I told them my business ideas. These people are very important in the beginning. They know who I should approach to make some deals."

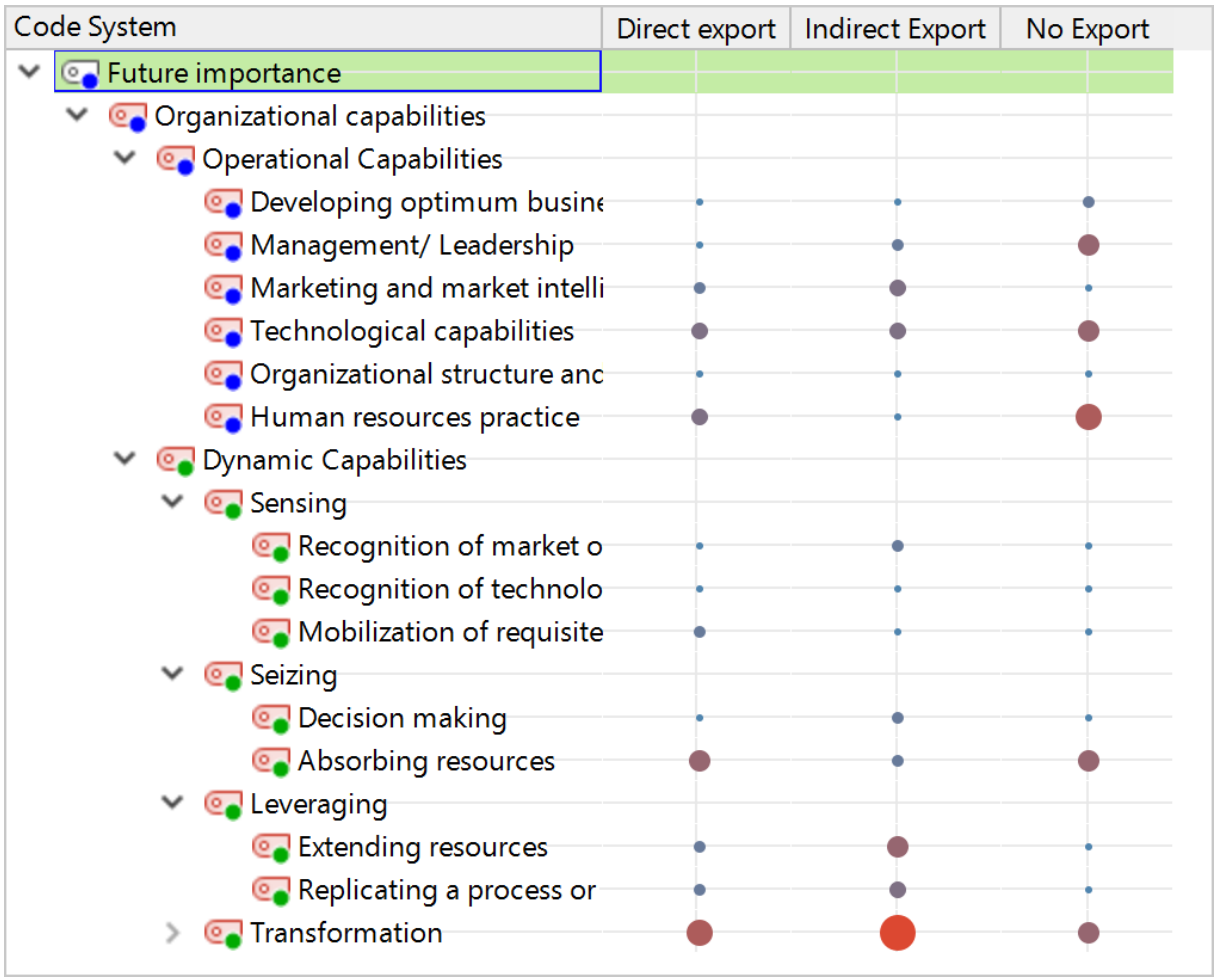
[Indirect Export\1.Transcript_15.03.2016; P: 27-27]

5.1.6 Future importance of Capabilities and Resources utilization

This section aims to answer **the research objective 3:** What are the patterns of organizational capabilities and network resources that are most concerned for the future development of the non-exporters, indirect exporters, and direct exporters?

Organizational capabilities

Figure 31. Code matrix of organizational capabilities in future importance



Source: own elaboration

Patterns of Capabilities in Future importance

Operational Capabilities

There was a common story among all exporters and non-exporters: in quest of an **optimum business model**. While direct exporters considered to be diversified and adopted several internationalizing options. Indirect exporters desired a solid operation with innovation capability. Non-exporters preferred to have a unique business model that cannot be copied easily.

"However, I think that both methods, however, are similar in the way that firms need to survive. Especially for small firms, we need to accumulate enough before choosing direct or indirect exporting mode, or mixing both."

[Direct export\8.Transcript_19.03.2016; P: 66-66]

"[…] they have different procedures to build their business model […] Only a few can do it. That's why firms are not very innovative."

[Indirect Export\7.Transcript_19.03.2016; P: 73-73]

"Yes, the business system is one of the priorities in management. A unique business system is hard to be copied or stolen in a competition. A good business system can also be inherited to future generations. In any stable business models, a good system can control the human resources. I think a good business system can control the human resources because normally people tend to work on their own favorite styles. With a system, the employees must follow the standards and become more productive."

[No Export\9.Transcript_1.5.2016; P: 33-34]

Management skill which is related to technological capability is the major aim of direct exporting firms. While indirect firms reaffirmed the focus of its expertise and the **commitment of employees**. Non-exporting firms emphasized the importance of management, from being competent and hardworking to delegation and exhibiting spill-over effect as a **business leader**.

"Additionally, I think in order to enhance our export performance, we need to improve our technology. In order to enhance our export performance, we also need to have management skills."

[Direct export\10.Transcript_17.3.2016; P: 40-41]

"Fourthly, I heartily suggest that firms should focus on what they are good at. Firm management boards should take this into account seriously in order to obtain bests from their employees."

[Indirect Export\7.Transcript_19.03.2016; P: 89-89]

"We still lack a system to promote management. I need a system that could support my management at firm level. The bigger my firm grows, the more necessary I need to adopt such an appropriate system."

[No Export\9.Transcript_1.5.2016; P: 65-65]

Regarding the **marketing** preparation, direct exporting firms highlighted the strategy of niche marketing, where the concentrating efforts on a small but specific and well-defined segment of the population. This strategy can be addressed to be 'a big fish' in a small pond instead of being 'a small fish' in a big pond. Indirect exporting firms are more likely less anxious about the marketing campaign. Although it has been recorded that they do have a good **reputation** for the local trade intermediaries. Non-exporting firms considered investing in high-tech products as a good way of improving **branding propositions** in the market.

"In their thoughts, the Vietnamese products are simple. It should not be so luxury as the Japanese will not expect that. Since we want to keep our products originally Vietnamese, we need to have a local style. The Japanese also prefer to see real Vietnamese products in their shops. Therefore, they would like to recognize our products."

[Direct export\8.Transcript_19.03.2016; P: 50-50]

"Those in the industry know us very well. I believe we assemble very outstanding outputs on the market."

[Indirect Export\2.Transcript_15.04.2016; P: 73-73]

"The requirements in high-tech in any sector are more and more advanced. We feel that we are alone. Our industry sector is somehow forgotten. Only a few companies invest in high-tech agricultural products."

[No Export\5.Transcript_17.03.2016; P: 50-50]

Different from the first-time export and current performance, direct exporting firms delivered a concern for future development of the **technological capabilities**. Although being confident that the production capacity is well-adaptive. They still find the

challenge of being diversified. More volume output required, more various customers standards received, direct exporting firms acknowledged the difficulties of scaling-up. Indirect exporting firms provided a more general aspect. With the lack of talents in the current operation, they believed that being innovative is not yet a feasible approach. The application of better solutions that could satisfy the existing market must go through an effective business model, requiring efforts and attempts of reconfiguration. We further discussed this issue in the dynamic capability section. The non-exporting firms on one hand challenged to cut the production cost, especially for spare parts like packages, raw material, on the other hand demanding the adaptation of new technological techniques to catch up with the global trade.

"We, however, lack finance to approach the potential market on a larger scale. We lack internal capabilities in general to quickly fulfill the requirements of different buyers. We need to have a standard quality output when we reach a larger production volume. I think that is very important to maintain our performance."

[Direct export\8.Transcript_19.03.2016; P: 82-83]

"[…] The current problem of the firms is human resource. Most of firms' managers do not find talents they need [...]"

[Indirect Export\7.Transcript_19.03.2016; P: 73-73]

"The major problem is the production cost. We pay a high price for the raw materials, such as packaging, in comparison with the foreign competitors. But it does not assure that these items have a good quality."

[No Export\5.Transcript_17.03.2016; P: 39-39]

Recruiting will be soon a future challenge, as there is a scare of qualified candidates. The wages are increasing, especially for experienced and **high-skilled labor**. For indirect exporting firms, selling and negotiation skills with the right partners are essential. One firm has stated the need for hiring experts in the future. Non-exporting firms have comparable encounters. Nevertheless, they doubted the current educational training systems, in which the fresh graduates do not have the skills that match the enterprise requirements.

"We also find it difficult to recruit suitable people. The human resource, especially salespersons, high skilled labor is expensive in Ho Chi Minh City. The qualified candidates will not work with us if we do not pay competitively."

[Direct export\8.Transcript_19.03.2016; P: 71-71]

"I think direct exporting firms need a good selling team. They also need to find partners. They need to find partners. That is the same for all exporting firms."

[Indirect Export\2.Transcript_15.04.2016; P: 51-51]

"We can only hardly recruit graduates. There is something wrong with the current university training systems. Students are trained for a short-term vision."

[No Export\5.Transcript_17.03.2016; P: 46-46]

Dynamic Capabilities

In this section, questions regarding firm capabilities in terms of adaptation and reaction preparing for future development fulfilled four different categories.

The direct exporting firms described how they would keep the necessary resources for their operation. It has been acknowledged that maintaining key relationships is needed. Second, the firm should be able to manage the large production volume with the possibility of reducing costs. Lastly, they considered that building trust with members within the business community channels is advisable. Indirect exporting firms further evaluated the roles of legal support organizations so that the exporters can understand the exporting destination-specific advice, as well as assure to comply with the legal requirements and prevent potential problems. Furthermore, indirect exporters also verbalized the distribution channels. It is crucial for them not to deal only with the wholesalers, but also conceive the retailers. Non-exporters required supporting policy from the governments. It has been discussed that current policies are usually outdated and being updated frequently, make them unstable in some specific sectors.

"In general, if you have a small business, you need to maintain the relationships with people who are related to your products. You can also look for references, through your relationships. The references could be the key to develop your market size as long as your business is reliable to them."

[Direct export\8.Transcript_19.03.2016; P: 41-41]

"We would like to have support on legal regulations, on delivery chains, especially the retail units. Support units associated with the retail to approach the senior market, for example, the US, we would like to have support from retail units that agree to sell our products. We need this specific type of support in order to associate with the retail shops."

[Indirect Export\2.Transcript_15.04.2016; P: 44-45]

What firms could do to maintain their competitiveness? It was acknowledged that even though firms export directly, firms who export unfinished products cannot build up a recognizable brand. The necessity of exporting finished products thus could strengthen firm reputation and allow room for identification. To be successful in the exporting entry, non-exporters explained the reason for failing, thus proposing a revolutionary approach. That means non-exporters have to intensively seek for the exporting opportunities, especially in finding the right business markets and partners. It was found that building strong brand recognition is the long-term target of direct exporters. Indirect exporters emphasized the status of business partners as one of the most important external resources. Adaptation has also been discussed. Indirect exporters unveiled the impact of a dynamic and quick-changing environment that requires them to be flexible and adaptive. Nevertheless, the core power is to convince the customers. Non-exporters, on the other hand, desired to enjoy the country's infrastructure improvement, especially the logistics solution to make themselves accessible on the exporting market.

"We contact only when we need. For example, we contact the people in Thai embassy to import products from Thailand. However, we were not satisfied with their assistance. Though they responded but were also superficial."

[No Export\5.Transcript_17.03.2016; P: 69-69]

"We also look forward to more importing activities because there is demand in the local market. We want to provide materials for the local firms as well. However, we find it difficult to finance. We are lacking capital to invest and scale up our business."

[Indirect Export\1.Transcript_15.03.2016; P: 25-25]

"We find difficulties in taking care of the promotion issue. Because we have to do it for the long-run, for our future development. It also costs to assure faulty shipment. It takes

time to handle such kinds of problems and all relevant issues. In general, there are so many small problems that we need to pay attention to."

[Direct export\4.Transcript_19.03.2016; P: 27-27]

"We choose our best competitive products that can be accepted in Japan. We consider maintaining our quality. To enter this type of market, we must stabilize from production to services to convince the buyers."

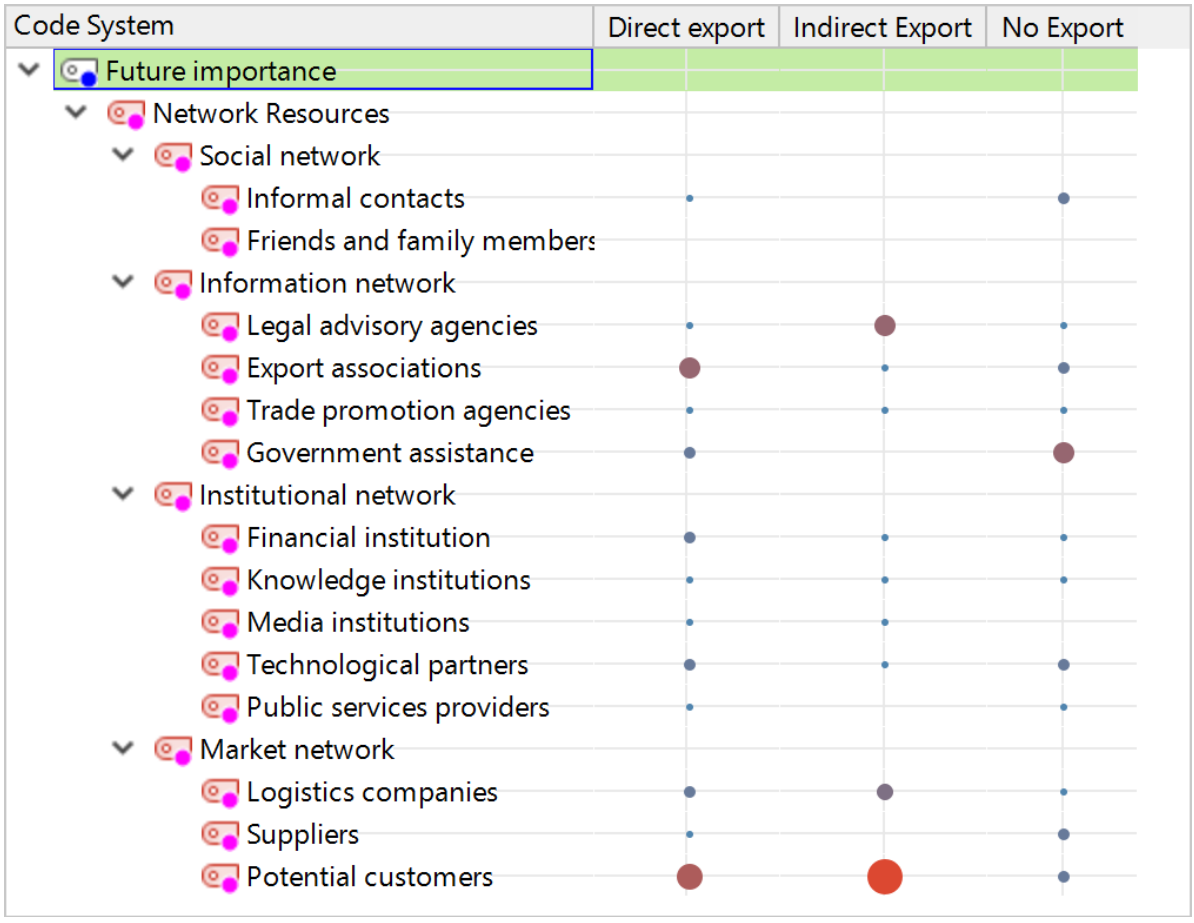
[Indirect Export\7.Transcript_19.03.2016; P: 32-32]

"To export, we still have to pay for some unnecessary taxes. We can not compete on a large scale with other competitors. Every single item we import, 5 to 10 percent of taxes applied. By the end, our production costs increase. Thus, our products are no longer competitive."

[No Export\5.Transcript_17.03.2016; P: 33-33]

Patterns of Network resources in Future importance

Figure 32. Code matrix of network resources in future importance



Source: own elaboration

In this section, some most significant players that highly impact the exporters and non-exporters were revised. It has been found that direct exporters highly appreciate the roles of the **potential customers.** It depends on each type of relationship, but mostly partnerships can bring diverse positive experiences. Building trust is an excellent way to connect with the partners again. Direct exporters also appreciate the value of media institutions and **financial institutions.** Meanwhile, non-exporters highlighted the links with **government assistance.**

"We keep in touch with the people we know. Normally, we contact them regularly and tell them about our products. We also ask them to introduce us to any contacts they have. That means we must find the customer who likes our products."

[Direct export\8.Transcript_19.03.2016; P: 43-43]

"Finance is one of our biggest challenges. Since we target the senior markets with premium products. We need capital to invest in the production unit."

[Direct export\8.Transcript_19.03.2016; P: 70-70]

"National policies in our sector is a huge challenge to our production unit. It changes very frequently that we can not follow properly. New policies are introduced often."

[No Export\5.Transcript_17.03.2016; P: 42-42]

Besides, non-exporters do value the building of trust, as it is inexpensive means leading to smoothen the business transaction. Non-exporter underlined the prominence of culture-specific perspective, added that **social networks** and trust should be taken care of. It is a current problem but should be solved in the future. Again, indirect exporters highlighted the role of legal advisory agencies in future development.

"Trust crisis! This is one of the most challenges for local firms. Doing business together seems to be challenging. Firms in our business community have low trust in each other."

[No Export\9.Transcript_1.5.2016; P: 51-51]

"Firstly, I think that it is very necessary to have a budget for lawyers. This spending can bring in return to time-saving, ensuring the sale benefit and avoiding risks. In return, you save a lot of costs, but most of the Vietnamese firms are not aware of this issue. We should invest in legal issues to avoid risks."

[Indirect Export\7.Transcript_19.03.2016; P: 86-86]

5.1.7 Code relations

The code relations browser in MAXQDA offers a visualization of the intersections of codes that allows the researcher to find relationships between codes. In this section, the code relations were created to analyze the three phases of export. Within each phase of export, the code that is most connected with other codes in the same context is analyzed.

Table 32. Code relations

	Code	Most connected codes
First-time export	Decision making	Recognition of market opportunities Absorbing resources Informal contact
Current status	Extending resources	Technological capabilities Replicating a process or system Human resource practice
Future importance	Renewal and modification	Technological capabilities Marketing and market intelligence

Source: own elaboration

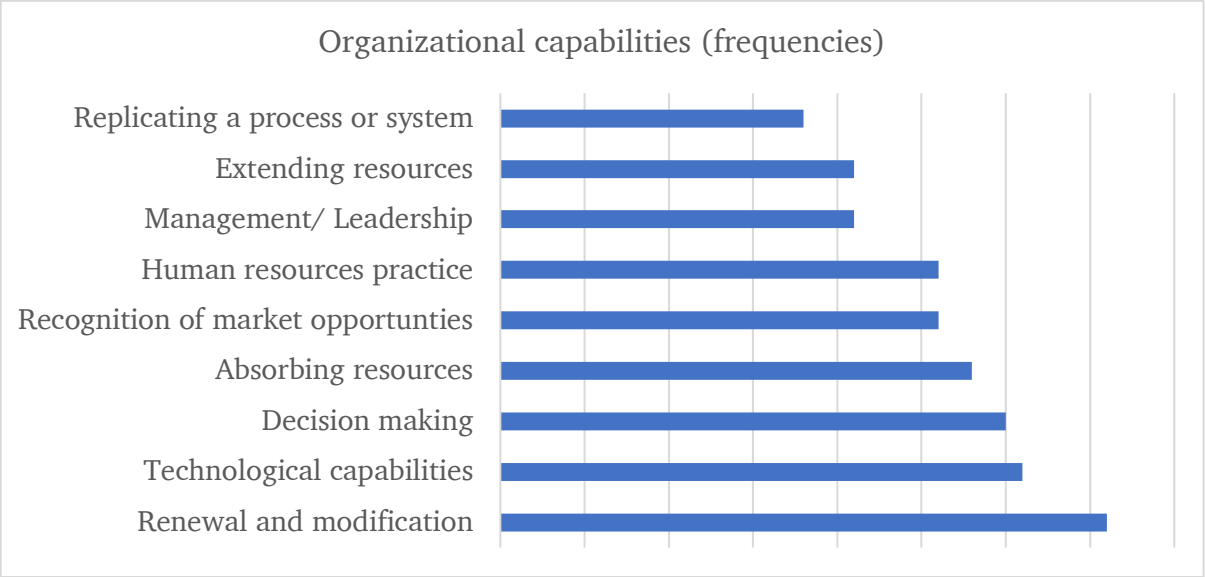
As the connected codes cover particular clarifications that help to supplement explain this specific code as one of the most important codes. The code relations browser discovered three most connected codes: decision making in first-time export; extending in current status; renewal and modification in future importance.

5.1.8 Most important patterns

In addition to the code relations that were discovered in the previous section, the most discussed patterns within organizational capabilities and network resources are highlighted. The rankings are calculated based on the frequencies of codes.

Most important patterns of Capabilities

Figure 33. Most discussed patterns of organizational capabilities



Source: own elaboration

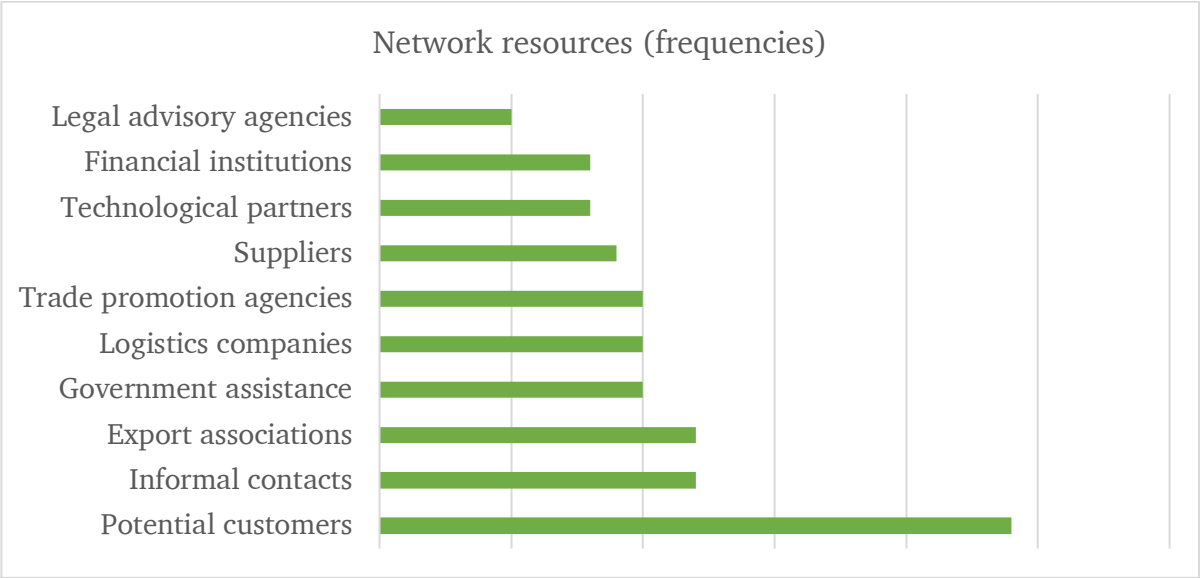
Among all, 'renewal and modification, technological capabilities and decision making' were most discussed with the domain of organizational capabilities. Renewal and modification is an element of dynamic capabilities (Katkalo, Pitelis, & Teece, 2010), refers to the capability dimension of transforming. As Pitelis and Teece (2009) mentioned, this cluster of capabilities is important for the effectuation of sustainable competitive advantage. In situations of uncertainty in which exporters must always create and capture values, adaptation to markets and technologies change is a must.

In the manufacturing sector, SMEs are typically established around a single breakthrough technological capability as an enabler for their performance (Terziovski, 2010). In the theory of resource-based view of firm, technological capabilities are critical antecedents of innovation (Lefebvre & Lefebvre, 2002). Lefebvre and Lefebvre (2002) found that technological capabilities strongly positively influence export performance of SMEs. Most likely in line with this finding, the SMEs in this study warrant that technological capabilities are one of the key factors increasing the competitiveness of manufacturing firms.

Furthermore, decision making was also captured as one of the most concerns of the manufacturing firms. Eisenhardt (1989b) found that firms with rapid decision making tended to have the best sales and overall profitability, especially in a dynamic operating environment (Judge & Miller, 1991). In a similar study of the Vietnamese SMEs to internationalize, Thai (2008) found that the choice of international market entry time is determined by the key decision maker and activated by firm ability.

Most important patterns of Network resources

Figure 34. Most discussed patterns of network resources



Source: own elaboration

Potential customers are the most concerned network resources that were found. Realizing new customers becomes a core competency of firms. It is acknowledged that the lack of commercial success of SMEs in the industry is a direct consequence of non-existence of networking strategies (Vanhaverbeke, 2001). Thus, establishing a customer-oriented network is a critical success factor to access the markets. Unlike many large enterprises that have the financial and strategic opportunities that can shape the industry into an interactive and value-creating system (Normann & Ramirez, 1998), SMEs need to have some critical skills in finding a way of targeting potential customers. Information contacts become a useful means of developing the network and

encouraging customer feedback. In such a way, the informal network channel also offers SMEs opportunities in knowledge acquisition.

Afterward, the involvement of SMEs with export associations was also noted. The role of information assistance in export is well known as it was reported that the lack of essential export information is particularly often in small firms (Cavusgil, 1980). In various stages of the export process, Seringhaus (1987) found that non-exporters perceived high usefulness of assistance, while exporters have the highest awareness of information assistance. The role of export associations is not only limited to information assistance but also offers export experience and knowledge which are firm's fundamental competitive strengths. To obtain such vital information, SMEs must be proactive in communication and access to informal networks as a stimulus for export performance.

5.1.9 Summary of Qualitative research results

Non-exporters

Findings show that non-exporting SMEs have accumulated adequate capital and expertise for consolidating their position in the domestic market. This foundation assisted them to sustain in the local market. SMEs' intention to internationalize has been developed through importing materials from foreign suppliers. Interactions with the foreign suppliers helped non-exporting SMEs to gradually recognize the availability of the markets outside Vietnam. They observed, learned, and incrementally apprehended some different forms of the procurement process. Engaging in importing activities, non-exporting firms gained fruitful information of the foreign markets, which accumulated as a competitive source of knowledge.

Table 33. Finding summary of Non-exporters

	Current Status	Future Importance
Organizational capabilities	Marketing and market intelligence	Human resource practice
	Technological capabilities	Management/ Leadership
	Recognition of market opportunities	Technological capabilities
	Mobilization of requisite resources	Absorbing resources
	Extending resources	Renewal and modifications
Network resources	Suppliers	Government assistance links
	Potential customers	Potential customers
	Technological partners	Technological partners
		Export associations

Source: own elaboration

It is essential to notice that Vietnamese non-exporting manufacturing firms are often traditional family businesses, which encounter low manufacturing capability. Lack of advanced technological deployment prevents non-exporting firms from being price-competitive in the market. To participate in global trade, non-exporting firms essentially require some modifications of the product and service quality. This reforming task requires a good source of qualified human resources, which are typically a difficulty for traditional family businesses.

A high proportion of these small businesses remain obstacles to attract young talent workers. Instead, attractive destinations are foreign direct investment companies or vibrant workplaces that engage a growing number of entrepreneurial activities. Lack of high-skills labor challenges non-exporting SMEs' survival in a highly competitive world. Being in a challenging situation is certainly a huge catalyst to embrace firms to change. Non-exporting SMEs seek to discover their potential with the purpose of scaling up their business performance. There are varieties of options; the simplest form of market expansion strategy is exporting. Firms require having a set of leadership and management capabilities to rescan and advance the performance portfolio. Firms should gain aggregates of skills and accumulated knowledge that allow them to deploy their assets and coordinate their activities (Raymond et al., 2014). To acquire more

choices and fewer difficulties in targeting specific competencies, non-exporting firms SMEs may collaborate with supporting institutions and widen current networks. Accumulating knowledge from doing business with business partners, non-exporting SMEs will be less dependent on the government policy. Firms can be strategic on targeting the right networks that enable them to co-create value in service exchanges with their business partners (Karpen, Bove, & Lukas, 2012). For instance, having alternatives to logistics partners constantly supports their delivering tasks. There is evidence suggesting that supply chain linkages are most associated with improved export performance (Elwan Ibrahim & Ogunyemi, 2012). Associating with external resources allows firms to significantly improve their adaptability and sustainability.

Indirect exporters

Indirect exporting firms tend to behave heterogeneously in different business environments. Some firms may wish to upgrade their exporting performance by approaching direct exporting activities. Some upgrade their performance by other forms but not pursue direct exporting activities anticipated for different reasons, either risks or investment costs. Still, indirect exporting firms desire to understand the barriers to export and their impact on performance.

Table 34. Finding summary of Indirect exporters

	First-time export	Current Status	Future Importance
Organizational capabilities	Decision making Recognition of market opportunities Mobilization of requisite resources Human resource practice	Recognition of market opportunities Technological capabilities Renewal and modification Decision making Absorbing resources Organizational structure and routine	Renewal and modification Extending resources Technological capabilities Replicating a process or system Marketing and market intelligence
Network resources	Potential customers Friends and family members Suppliers	Potential customers Legal advisory agencies Government assistance links Logistics companies	Potential customers Legal advisory agencies Logistics companies

Source: own elaboration

Transitioning from indirect to direct exporting is considerably complex and potentially costly for smaller firms (Bai, Krishna, & Ma, 2017). In terms of investment, indirect exporting firms require a prerequisite budget for product standard modifications in fulfilling international market requirements. Indirect exporting firms are obliged to a higher level of risk management with some unforeseen costs. Thus, the effort toward public procurement is not a new phenomenon. Firms need to adopt legal protection in a new foreign market entry mode choice.

It is worth noting that indirect exporting firms are familiar with exporting unbranded products. These types of products, due to their simplicity, require less marketing effort for indirect exporting firms. Brands are valuable assets that play a central role in differentiating the products and services to catch the attention of the customers (Lukoma & Nguyen, 2011). Enhancing brand, firms develop their external resources to provide targets for managing relations with customers and other stakeholders (K. T. Nguyen, 2010). Without a brand, it culminates a huge gap in understanding between the indirect exporters and the consumers. It has been argued that the greater extent to

which an intermediary carries undifferentiated products, the greater level of the efficiency of its sales (Balabanis, 2001). Export intermediaries try to exploit this potential economy of scope to assist their growth. Indirect exporting products are usually reprocessed which allows potential gains by locating foreign customers. This is the vicious cycle of indirect exporting activities when the Vietnamese indirect exporting firms can hardly exhibit a high value-added exporting product. To avoid this challenge, indirect exporting firms are advised to rely on knowledge-based value-creation strategy intending to adapt to a new market proposition.

In terms of potential customers, independent intermediaries are dominant in the trade relationships of indirect exporting firms. There is substantial evidence that suggests that intermediaries facilitate international trade (Bai et al., 2017). Nearly 80 percent of Japanese exports and imports in the early 1980s were handled by the trade intermediaries (Rossman, 1984), in comparison to 50 percent Korea in 1985 (Rauch & Watson, 2004), 50 percent in Sweden (Akerman, 2010), 22 percent in China (Ahn, Khandelwal, & Wei, 2011) in 2005. Roberts and Tybout (1997) find that few intermediaries in Colombia have discouraged potential exporters and suppressed exports. Yet indirect exporting firms have limited choices and few exporting partners. Often their customers have the authority to limit them from freely selecting technology, products, and markets. The linkage between intermediaries and indirect exporting firms is most likely fragile as firms are dependent on the intermediaries. Recently, SMEs in Vietnam have experienced acquisition of the firms by the large firms. In such cases, large firms acquired a minority stake in the SMEs. Being under pressure for survival, indirect exporting firms scale up their distribution capacity, involving more trading partners with a focus on sustaining their business activities.

Relatively, our results suggest that indirect exporting firms need to expand their current networks. Working together collectively and exchanging information, firms can avoid the risk involved in entering international markets (Eberhard & Craig, 2013). Indirect exporting firms need to collaborate with the export associations to receive available assistance. As a typical situation in Vietnam, small indirect exporting firms often do not genuinely cooperate with potential external networks. Small firms are sensitive to their

external environment and have difficulties to find the right networks that would be able to carry out their international tasks. Although intermediaries help firms in facilitating trade which involves lower fixed costs, they also take cuts to lower firm profits (Ahn et al., 2011; Akerman, 2010). Generally speaking, indirect exporters have some downsides depending on the intermediaries. Lack of control over the export transactions to foreign countries leads to lower pricing decisions, poor distribution channels, and little branding recognition. Such low commitments of limited resources of indirect exporters do not leverage production advancement and develop export business in general. One of the potential risks that indirect exporters can face is the mismatch between firm's long-term growth and intermediaries' short-term profit-seeking. For the future development, the advice for indirect exporting firms is to consult external experts and associate strongly with potential customers to take learning advantages of knowledge spillovers and prospective sales growth.

Direct exporters

The literature on different modes of exporting has expressed that the least productive firms sell only to the domestic market, less productive firms export through intermediaries, and the most productive firms choose to export directly (Bai et al., 2017). Direct exporting firms define an explicit commitment to their market segmentation from the beginning of export. In this way, decision-making is used as an optimum mechanism to achieve strategic objectives. This illustrates firm action was taken into account with the aim of targeting the right market. Some direct exporting firms either try for a small exporting volume or target a single market before going for another similar market. Some firms conducted visits to potential customers in foreign markets to deliver their first trial experience. According to Schneider and Bowen (1999) aggressively pursuing customers with problems is the best form of market research. Firms focused on delivering the best customer experience in the markets provide enormous economic value (Verhoef et al., 2009). Companies should get to know the customers who have experienced a problem or expressed dissatisfaction. Recognition of market opportunities becomes necessary and represents an important source to fulfill customer satisfaction.

Table 35. Finding summary of Direct exporters

	First-time export	Current Status	Future importance
Organizational capabilities	Decision making Recognition of market opportunities Technological capabilities Mobilization of requisite resources	Technological capabilities Decision making Extending resources Human resources practice Absorbing resources	Absorbing resources Renewal and modification Technological capabilities Human resources practice
Network resources	Informal contacts Potential customers Technological partners Suppliers	Potential customers Informal contacts Trade promotion agencies Export associations	Potential customers Export associations Financial institutions Technological partners

Source: own elaboration

To some extent, direct exporting firms tend to associate with technological partners. They apply technological equipment aiming to fulfill market standard requirements. Firms realize the differences in technical involvement and high-tech equipment into production. In some market segments, direct exporting firms could succeed to find a good impression on their products. During the production process, firms apply machinery to be more productive. Some firms enhance automation and adoption of new technologies so that they generate high output and reduce production costs. As technology is changing quickly, direct exporting firms should keep improving by continuously upgrading products and processes, e.g. renewal and modification. Comparing indirect and non-exporting, direct exporting firms manage to keep stable quality products due to strict market demand.

In advanced markets, international customers are better organized, more informed, and generally more demanding (Knight & Kim, 2009). Direct exporting firms need to manage reputation and establish a branding strategy, which can potentially support their sales. Regularly direct exporting firms retain their company titles to the goods until they are transferred to consumers. These capabilities become important for the

SMEs in terms of internationalization facilitation (Raymond et al., 2014; Westhead, Wright, & Ucbasaran, 2004). This strategy occurs when firms establish an optimum business model that allows them to uphold their position in the international market. Zott and Amit (2008) also discussed implications for firm performance when fitting market strategy with a business model.

There is a strong link between management and direct exporting. The findings reveal that business references and managerial experiences are the keys enabling factors at the beginning. In the US, founders who have experience with clients outside of the country accounting for more than half of their international business on average (Rauch & Watson, 2004). This existing relationship may additionally influence the number of markets of direct exporting firms in terms of growth. Channel partnerships play a significant role, primarily when the exporting products are more technologically advanced. Direct exporting managers maintain their relationship portfolios with the aim of identifying key successful relations. Yet, firms have struggled to access the business relationships as trust-building remains a huge problem in this sector. Manufacturers demonstrate a tendency of not collaborating with other similar firms in the community. Running alone challenges firm survival as it has been observed that foreign direct investment companies recently acquire a number of local firms. Weak level of trust among local players leads to a higher transaction cost. Zahra (2007) proves that with increasing trust, knowledge sharing related risks and potential opportunistic behavior decreases. It has been often discussed that within the Vietnamese business associations, the intensity of collaboration is typically low and does not have the characteristic of the Chinese business (Park & Luo, 2001). Lack of horizontal ties with firms located in the same industry segment or producing complementary products prevents the firms to access collective resources (Eberhard & Craig, 2013). Lack of vertical ties with firms in different value chains restricts firms to increase manufacturing productivity (Mesquita & Lazzarini, 2008). Therefore, investments in informal contacts and potential customers is a wise step at the beginning of direct export.

Key highlights

The emergence of recently exporting activities makes Vietnam an interesting case study for empirical investigation. This qualitative part has focused on the process and critical incidents of firms within each export option. The findings were discussed based on two focused dimensions: organizational capabilities and networking resources as proposed in previous chapters of the thesis. The analysis has emphasized on existing and uncovered capabilities and network patterns that firms need to strategically approach to maintain their performance in different export mode choices.

In terms of capabilities, without being internationalized, firms still need higher skilled workers. This is a typical problem for organization development and change (Cummings & Worley, 2014). Short-term vision and a lack of proper training influence human resources in this dynamic market. Foreign direct investment firms or large corporations are good destinations for high-skilled job seekers. Talents will be assured with the annual growth of this sector. They have advantages of learning, experiencing international relations from FDI companies. Lack of quality human resources, non-exporting firms are most likely failing to deal with high-tech requirements. Firms struggle and tend to solve current operational problems without flexible movements for sustainable performance. Non-exporting firms lack the ability to redefine their activities with a focus on staying competitively. Due to the lack of economy of scale, non-exporting firms are challenged to manage the production costs well. The small economy of scale prevents firms from being competitive in price. Even when firms can manage a good start-up at the initial stage, some might be not advanced enough to scale up. Indirect exporting firms have built some solid operational capabilities. These capabilities are mainly functional, regulatory, and propositional that helps the firms to run well from management to production level. Although indirect exporting firms gradually develop their domestic propositions, they are not satisfied with their current performance. Also, indirect exporting firms reported having acquired individual learning skills. Firms are able to be self-advocacy and self-learning. When sufficient information pertinent to internationalization has been acquired and translated into

usable knowledge, and resources for internationalization are assembled, a firm becomes internationalization-ready (Knight & Liesch, 2002, Tan et al, 2007).

In terms of network ties, the findings reveal that non-exporting firms gain access to few networks, primarily domestic, but also have access to some foreign ties for importing and technical seeking purposes. Indirect exporting firms incrementally engage with a mid-range of network ties, in some ways being less satisfying in their export option. While direct exporting firms involve more proactively and strategically in diverse forms of business networks. The findings are closely related to the literature on firm utilization of external resources. Various perspectives and views were examined on the relationship between firms with different institutions and actors. The findings are thus in line with the revisited Uppsala model indicating the importance of strengthening network positions through coordination, which facilitates opportunity discovery and creation (Johanson & Vahlne, 2009). Some key highlights of the qualitative analysis can be linked to answering the question of what hinders SMEs from exporting. It has been known that research on early and rapid internationalization spurred interest on how start-up firms successfully develop networks of foreign distributors and customers in the view of Cavusgil and Knight (2015). They observed that young firms have been facilitated by the contemporary global business environment, including increasingly homogenous worldwide demand, technological advances, efficient and affordable logistics, the rise of a global middle class, and widening multi-country networks of suppliers and customers. As the findings showed that links to government support is one of the challenges that non-exporting firms are not strongly supported enough to play outside their local market. Lack of government advice and business support network, non-exporting firms often lack substantial information. In terms of exports, public support typically aims to help firms overcome information asymmetries or the costs of entering export markets (Love & Roper, 2015). Most exporting countries insert in their law, provisions intended to protect the industrial landscape. The local government policies have not yet facilitated enabling conditions for the development of local SMEs as the suppliers for the large enterprises. Another challenge with the local infrastructure that can be also shortly highlighted, is logistic services. It is way too expensive for small firms to afford the costs and find efficient transport means. The

indirect exporting firms rely on intermediaries as a means to set up their exporting activities. These firms have accumulated a certain level of confidence in the local market. Indirect exporting firms perceive lower trading risks as the intermediaries are responsible for most of the customs regulations and transportation. Owning a long tradition of domestic sales, indirect exporting firms have a demand for business expansion beyond the domestic market. Slightly different from non-exporting firms, some indirect exporting firms hire external experts at the beginning of their exporting activities, mainly taxes advice and legal issues. For direct exporting firms, they associate stronger than indirect and non-exporting firms within their network ties. This is a critical factor differentiating direct exporters with the other two since they tend to build greater relationships and are often more open on project collaboration. This is in line with the existing theory arguing that engaging in direct exporting leads to higher learning-by-exporting effects than exporting through intermediaries (Bai et al., 2017). The longer they are into business, the stronger networks they can build. Nevertheless, direct exporting firms face high competition, even with the domestic business members of their associations. It is typically common that most associations do not function ultimately due to a lack of trust among the members. This is one of the factors that has not been well-explained in the analysis. However, it is crucial that firms can not avoid their capability development and network utilization. The development and maintenance of relationships require time consuming and efforts. Trust is an important prerequisite that needs to be established first. Trust may then develop into commitments if all parties have willingness and positive intentions (Eberhard & Craig, 2013). Johanson and Vahlne (1990, 2009) suggested that successful internationalization requires a mutual commitment between the firm and its counterparts. In the same manner, the approach of industrial networks (the IMP approach – similar to Mintzberg's approach to strategy (1973, 1985)) introduced by the IMP group reviewed inter-organizational networks emphasizing one key element: trust. Without trust, unfair business practices happen and often lead to devaluation in selling prices. Business associations thus cannot protect their members, especially price competition from outside. Not only that, more risks and difficulties challenge the direct exporting firms with their cross-border activities. Very often, direct exporting firms lack finance to approach potential markets on a larger scale. Support from the government

or local authorities, such as tax incentives, are important, not all firms take advantage of government policies, such as remote areas, business sectors, and industrial zones. Although some direct exporting firms have better access to financial support from credit institutions compared to indirect and non-exporting firms, access to finance is still one of the most challenges that small firms have to tactically approach diversified credit providers.

In overall, the key issues of capabilities and network resources have been discussed. The first research question 'What are the patterns of capabilities and resources utilization in SMEs export mode choices?' was answered. The evidence from this phase highlighted the importance of organizational capabilities and network resources as key enablers of export differentiate between the two export mode choices. Dynamic capabilities are best explained as showing firm quick responses to the dynamics of export. Deployment of dynamic capabilities also allows firms to have unique competitive advantages participating in the export market. The engagement of SMEs in different export entry options offers this research a better understanding of capabilities development and utilization of network resources patterns. The second-stage quantitative analysis in the next sections emphasizes on answering the second research question: 'How do these patterns explain the differentials in the export mode choices?' The relationship between dynamic capabilities and network resources with export performance are also incorporated.

5.2 Results of Phase II

5.2.1 Respondent profile

The majority of respondents are agricultural and food processing firms, representing 37.5 percent of the total respondents. In general, indirect exporters are smaller in terms of size and exporting experiences compared to direct exporters. The figures below demonstrate the overview data of respondent profiles covering the sample sizes, sector, firm size, and years of export.

Figure 35. Sample size

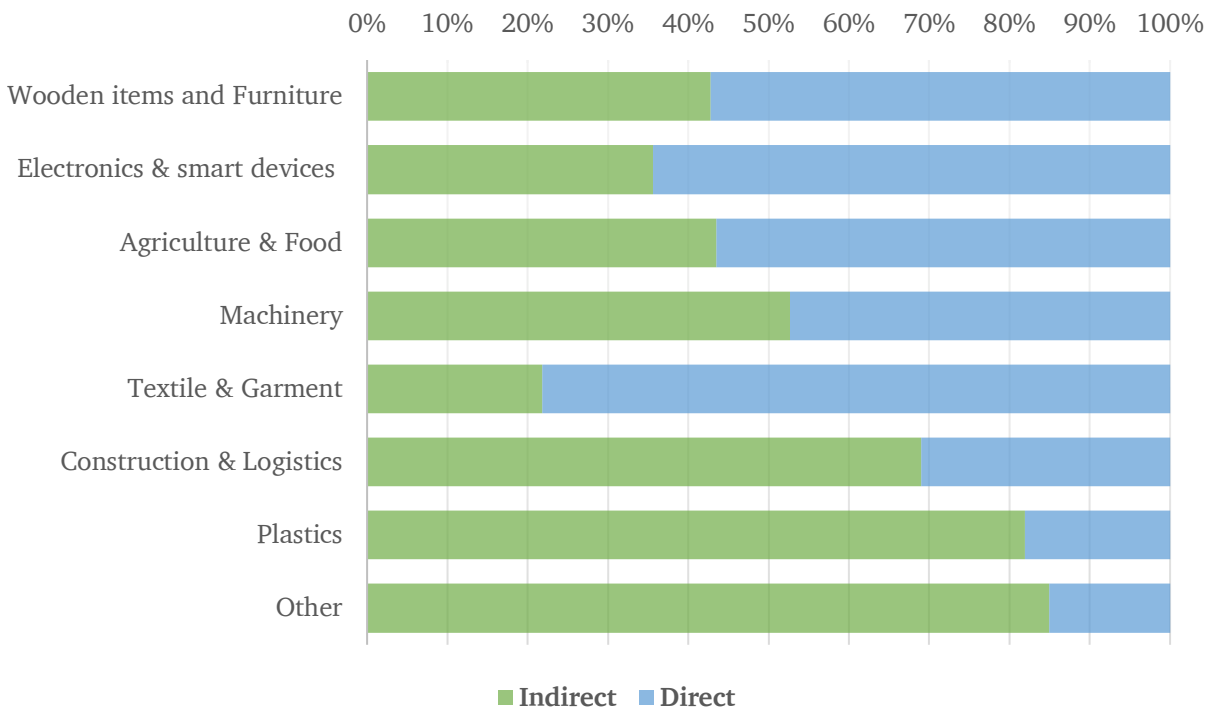
Source: own elaboration

In total, 38 firms were conducting direct export, accounting for 52.8 percent of the total sample. Compared to a slightly smaller number of 34 indirect exporting firms making up 47.2 percent, the number of direct and indirect exporting firms are nearly equivalent.

Although Vietnam has a high number of indirect exporters due to its market characteristics mainly providing raw manufacturing materials as well as firm limitations to enter the international market, the approach to find direct exporters was much easier than to find indirect exporters. There is generally limited information on the availability of indirect exporters. On the other hand, information regarding direct exporters can be found in the export directory database. Alternatively, direct exporters also more actively

participate in promotional events or trade fairs. In contrast, indirect exporters can be recognized in the industrial zones and or filtered among the manufacturer lists.

Figure 36. Industry sector



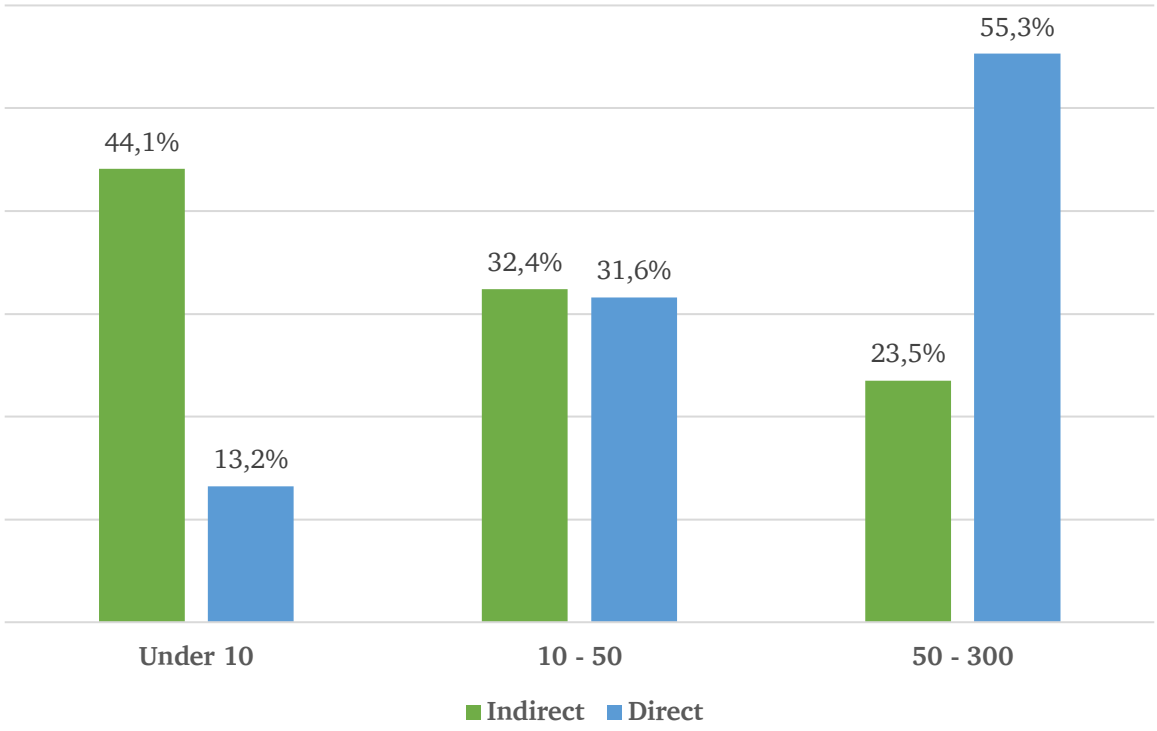
Source: own elaboration

The respondent firms were categorized in different manufacturing sub-sectors. Agricultural and food firms are dominant in both exporting groups, 32.4 percent of indirect exporters, and 42.1 percent of direct exporters. Textile and garment firms ranked second, accounting for 13.9 percent of the total samples. However, the majority of them are direct exporters, accounting for 21.1 percent compared to 5.9 percent of indirect exporters. Construction and logistics firms ranked third, accounting for 12.5 percent of total samples with larger portions belonging to indirect exporters, accounting for 17.6 percent compared to 7.9 percent of direct exporters. The variation between direct and indirect exporters also exists in other sub-sectors, including wooden items and furniture, electronics and smart devices, machinery, plastics, and others.

Overview of sectors among all samples demonstrates that the manufacturing sector is highly heterogeneous in terms of sub-sector variation. Although all firms are

manufacturers, the operation of a food processing manufacturer can be vastly different from the operation of an electronic and smart device producer. The crucial differences might occur in terms of supplying materials, the use of technological equipment, and the number of employees. According to the General Statistic Office, among all the manufacturing sectors in Vietnam, electronics, machinery, and seafood are the key exporting products (GSO, 2018b).

Figure 37. Firm size in number of employees

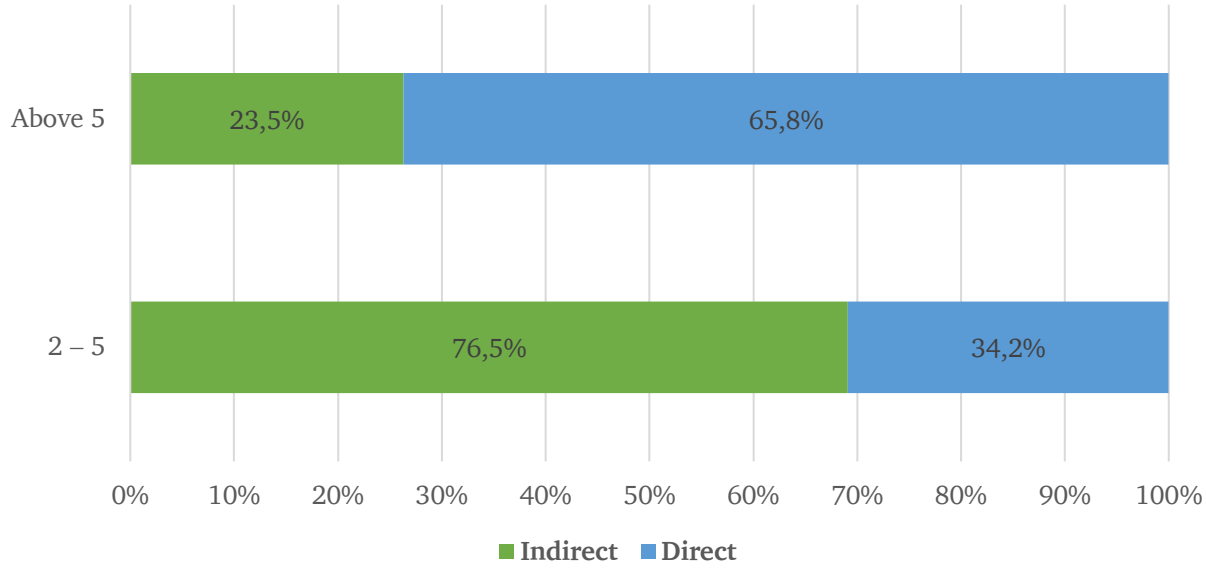


Source: own elaboration

The small and medium enterprises are divided into three groups: under 10 employees (27.8 percent), from 10 to under 50 employees (31.9 percent), and from 50 to under 300 employees (40.3 percent). There is a higher number of micro firm-size among indirect exporters. Whereas medium firm-size is more considerable among direct exporters. The characteristics of the Vietnamese exporting manufacturing sector are normally light-manufacturing and labor-intensive, naturally, requiring a large number of employees. However, the growth of small young firms recently demonstrates that firm size does not matter to export, e.g. firms with the focus on innovative solutions of exporting frozen seafood, firms dealing with a small export volume of agricultural

machinery to Africa, or firms specialized in producing mobile phone plastic components. Some of the 20 small firms under 10 employees have such characteristics in this study.

Figure 38. Years of exports



Source: own elaboration

The minimum exporting experience accepted in this study is two years. 54.2 percent of the exporting firms are rather young in the survey within two to five years of export experiences. The rest account for 45.8 percent has more than five years of exporting. Among the indirect exporters, the number with under five years of export experience accounts for 76.5 percent. On the other hand, among direct exporters, the number with above five years of export accounts for 65.8 percent.

5.2.2 Results of the descriptive analyses

Dynamic capabilities

Nine items were used to measure the construct dynamic capability. The original measurement was categorized into three dimensions: sensing, seizing, leveraging, and transformation. The measurement of dynamic capabilities assesses firm perception of how much they agree or disagree following a question statement.

Table 36. Descriptive statistics of Dynamic capabilities

		Group	Mean	SD	Skewness	Kurtosis
Dynamic Capability (DynCap) (Aggre.), α = .789		Indirect	3.57	.624	-.243	-1.048
		Direct	4.01	.620	-.535	.406
		Total	3.80	.657	-.330	-.448
Sensing (SENS), α = .689						
SENS1	We have dedicated resources to identifying export market opportunities	Indirect	2.91	1.190	.409	-1.039
		Direct	3.50	1.059	-.432	.035
		Total	3.22	1.153	-.054	-.923
SENS2	We have dedicated resources to identifying technological opportunities	Indirect	3.41	1.131	-.635	-.029
		Direct	3.61	1.079	-.355	-.561
		Total	3.51	1.100	-.493	-.279
SENS3	We invest in prerequisite resources needed to conduct the business	Indirect	3.68	.945	-.889	.909
		Direct	3.76	1.051	-.232	-1.171
		Total	3.72	.996	-.465	-.396
Seizing (SEIZ), α = .556						
SEIZ1	Internationally orientated decisions to foreign market expansion are important for our firm's growth	Indirect	3.35	1.346	-.222	-.961
		Direct	4.50	.862	-2.271	6.372
		Total	3.96	1.250	-.988	-.016
SEIZ2	We can address the export opportunities from our developed products or services	Indirect	3.47	.929	-.150	-.776
		Direct	4.11	1.008	-.722	-.720
		Total	3.81	1.016	-.342	-1.001
Leveraging (LEVE), α = .528						
LEVE1	Our daily operational activities are based on a developed business process or system	Indirect	3.68	1.273	-.656	-.733
		Direct	3.74	1.057	-.884	.709
		Total	3.71	1.156	-.752	-.191
LEVE2	Our firm makes efforts to introduce one new product to the export market recently	Indirect	3.82	1.114	-1.028	.749
		Direct	4.34	.938	-1.380	1.022
		Total	4.10	1.050	-1.174	.838
Transformation (TRAN), α = .728						
TRAN1	Our firm puts efforts to undergo renewal and modification as markets and technologies changing quickly	Indirect	3.88	1.038	-.963	.637
		Direct	4.32	.904	-1.153	.422
		Total	4.11	.987	-1.043	.551
TRAN2	We continuously standardize our exporting products and modernize our technologies for future growth of our firm	Indirect	3.91	.933	-.530	-.468
		Direct	4.26	.950	-.967	-.269
		Total	4.10	.952	-.703	-.561

Notes:

- items are measured by five-point Likert-scale ranging from 'strongly agree' (5) to 'strongly disagree' (1), firms were asked to answer the questions 'To what extent do you disagree or agree with the following statement…?'

-Number of samples: Indirect export (N=34), Direct export (N=38), Total (N=72)

The descriptive results show that the direct group exhibits a slightly higher mean score than the indirect group (mean aggre. 4.01 vs 3.57). However, the respondents of both groups provided a consistent evaluation of the dynamic capability.

Sensing capabilities have been seen as the less dedicated area of the dynamic capabilities (SENS1, SENS2, SENS3). Less attention to exploring the market and technological opportunities thus leads to adequate efforts to invest in prerequisite resources (SENS3). At the same time, both direct exporters and indirect exporters affirmed that recognizing market opportunities (SENS1: We have dedicated resources to identifying export market opportunities) is one of their weakest dynamic capabilities. This affirmation is natural as the international environment today becomes more dynamic and complex (Reuber, Dimitratos, & Kuivalainen, 2017). In addition, both direct and indirect exporters signified nearly similar value of the resource's mobilization (SENS3: 3.68 and 3.76).

Similarly, both exporting groups reported that replicating a process or system (item LEVE1: Our daily operational activities are based on a developed business process or system) has the most equal values (3.68 and 3.74). The firms were encouraged to evaluate the routines of their current operating system to be able to understand how their businesses function. A solid foundation for firms is requisitely prior to superior performance in practice so that firms are able to replicate their business model.

The decision making (item SEIZ1: Internationally orientated decisions to foreign market expansion are important for our firm's growth) indicates the most differences of the direct and indirect group (mean 4.50 and 3.35 respectively). The difference is understandable as the indirect exporting firms mainly supply unfinished products to the intermediaries while the direct exporting firms supply final or semi-final products to the markets thus being determinedly on the international market expansion mission. The decision making is also reported as the highest mean value for direct exporters among all components of the dynamic capabilities.

In contrast to the sensing capabilities, transformation capabilities have been reported as slightly higher than the average. Renewal and modification capability (TRAN1) and

transformation capability (TRAN2) were informed firms' efforts to adjust to the market complexity and modernize technology. Both firm groups demonstrated the prominence of being adaptive, which is consistent with the natural process of internationalization as it evolves in a number of environmental contexts (Fuchs, 2016).

Network resources

Network resources construct has initially 14 proposed items. The main measurement of this construct is to understand firm external resources utilization and the degree on maintaining and developing these external relationships.

Table 37. Descriptive statistics of Network resources

		Group	Mean	SD	Skewness	Kurtosis
Network Resource (Network) (Aggre.), α = .870		Indirect	2.99	.710	-1.451	2.325
		Direct	3.42	.772	-.551	-.257
		Total	3.22	.769	-.735	.855
Social network (SOCI), α = .560						
SOCI1	Personal contacts or Informal business partners to be devoted to export activities	Indirect	3.29	1.360	-.572	-.865
		Direct	3.63	1.025	-.455	-.191
		Total	3.47	1.198	-.640	-.354
SOCI2	Friends and family members to be devoted to export activities	Indirect	3.26	1.310	-.438	-.831
		Direct	3.16	1.242	-.405	-.604
		Total	3.21	1.266	-.405	-.756
Information network (INFO), α = .862						
INFO1	Export associations related to our export activities	Indirect	2.88	1.200	-.096	-.672
		Direct	3.34	1.457	-.582	-1.019
		Total	3.13	1.352	-.304	-1.039
INFO2	Our links with the government providing assistance to our export activities	Indirect	2.26	1.136	.494	-.611
		Direct	3.13	1.398	-.184	-1.141
		Total	2.72	1.345	.206	-1.087
INFO3	Legal advisory agencies that are experienced in international market operations	Indirect	2.35	1.203	.590	-.470
		Direct	3.18	1.411	-.162	-1.243
		Total	2.79	1.373	.220	-1.153
INFO4	International trade promotion agencies that deal with international market operations	Indirect	2.26	1.109	.427	-1.120
		Direct	3.29	1.160	-.058	-.815
		Total	2.81	1.241	.154	-.990
Institutional network (INST), α = .677						

INST1	Financial institutions provide services to our export activities	Indirect	2.88	1.225	.027	-.605
		Direct	3.55	1.245	-.304	-.964
		Total	3.24	1.273	-.122	-.883
INST2	Universities or research institutions provide services to our export activities	Indirect	**2.24**	1.257	.694	-.549
		Direct	2.84	1.326	.232	-.954
		Total	2.56	1.320	.424	-.891
INST3	Marketing or PR agencies that support our export sales and brand building	Indirect	2.74	1.333	.356	-.898
		Direct	2.95	1.335	-.043	-1.173
		Total	2.85	1.329	.140	-1.108
INST4	Our technological partners facilitate our manufacturing process	Indirect	2.91	1.138	-.080	-.352
		Direct	3.37	1.051	-.518	-.258
		Total	3.15	1.109	-.311	-.470
INST5	Current public services and facilities facilitate our business function	Indirect	3.41	1.131	-.101	-.374
		Direct	3.29	1.412	-.304	-1.132
		Total	3.35	1.280	-.271	-.811
Market network (MARK), α = .755						
MARK1	Logistics companies provide services to our export activities	Indirect	3.65	1.390	-.683	-.729
		Direct	4.11	1.247	-1.179	.258
		Total	3.89	1.327	-.905	-.388
MARK2	Local or foreign suppliers provide production materials for our export	Indirect	4.12	1.320	-1.236	.137
		Direct	4.18	1.136	-1.434	1.510
		Total	4.15	1.218	-1.311	.631
MARK3	Our business partners as potential customers in our export	Indirect	3.53	1.331	-.681	-.367
		Direct	4.18	1.087	-1.320	1.019
		Total	3.88	1.244	-.976	.094

Notes:

- items are measured by five-point Likert-scale ranging from 'very frequently' (5) to 'very rarely' (1), firms were asked to answer the questions 'In related to the export activities, how often does the firm associate with…?'

-number of samples: Indirect export (N=34), Direct export (N=38), Total (N=72)

The respondents had given consistently relatively low scores on the utilized network patterns (mean aggre. 3.22). Direct exporting firms had a higher score with their network resource relationships than the indirect exporting firms (mean aggre. 3.42 compared to 2.99). Notably, the item INST2 Universities or research institutions provide services to our export activities (mean = 2.56) has the lowest average mean value. The item INFO2 Our links with the government providing assistance to our export activities has the second-lowest average mean value (mean = 2.72). While MARK2 Local or foreign suppliers provide production materials for our export has the

highest average mean value of 4.15, showing the consistently high level of importance of the suppliers for the exporters.

Furthermore, the item INFO4 International trade promotion agencies that deal with international market operations shows the most differences between direct and indirect exporters (mean value 3.29 vs 2.26). This is in line with the previous chapter, that direct exporting firms maintain the relationships more exhaustively in an effort to mobilize their internationalization path.

Addedly, direct exporters had the highest mean value on MARK3 (mean = 4.18, Our business partners as potential customers in our export), while indirect exporters had the highest mean value on MARK 2 (mean = 4.15, Local or foreign suppliers provide production materials for our export).

Export performance

A total of 8 items drawn from Zou (1998) were confirmed within three main dimensions: financial export performance, strategic export performance, and satisfaction with export ventures. These items demonstrate perceptional perspectives with non-financial measures. Items FINE1, FINE2, and FINE3 exhibit the financial export performance. Items STRE1, STRE2, and STRE3 present the essence of strategic export performance. Items SATE1 and SATE2 reveal satisfaction level.

The table below compares the basic descriptive data among the two exporting groups and the total sample, including mean, standard deviation, Kurtosis and Skewness values. The aggregate value of the construct Export Performance shows that group 1 (indirect, 3.08) has a lower mean value than group 2 (direct, 3.60) and the total sample has a value of 3.35. The rating scale from 1 to 5 has given a neutral value of 3, while 5 means ‘very satisfied’ and 1 means ‘very dissatisfied’. Thus, on average, the direct exporting SMEs are more satisfied with their export performance than the indirect exporting SMEs.

Table 38. Descriptive analysis of Export performance

		Group	Mean	SD	Skewness	Kurtosis
Export Performance (ExPer) (Aggre.), α = .907		Indirect	3.08	.864	-1.211	1.115
		Direct	3.60	.638	-.661	.010
		Total	3.35	.792	-1.156	1.632
Financial export performance (FINE), α = .817						
FINE1	Contribution to the overall profitability of our export activities	Indirect	2.82	1.193	-.436	-.940
		Direct	3.76	.998	-.525	-.662
		Total	3.32	1.185	-.548	-.474
FINE2	Generation of sales volume of our export activities	Indirect	3.12	1.094	-.835	-.134
		Direct	3.68	.933	-.783	-.231
		Total	3.42	1.045	-.839	.075
FINE3	Growth achievement of our export activities	Indirect	**3.41**	1.131	-.501	.018
		Direct	**3.95**	1.114	-1.131	.908
		Total	**3.69**	1.146	-.755	.059
Strategic export performance (STRE), α = .792						
STRE1	International competitiveness level of our export activities	Indirect	3.26	1.109	-.563	.235
		Direct	3.39	.790	.193	-.217
		Total	3.33	.949	-.418	.516
STRE2	Strategic position in the international market of our export activities	Indirect	3.12	.946	-.475	.947
		Direct	3.55	.795	-.011	-.315
		Total	3.35	.891	-.383	.697
STRE3	Taking over of the international market share of our export activities	Indirect	2.76	.923	-.725	-.094
		Direct	3.37	.786	-.067	-.391
		Total	3.08	.900	-.525	.337
Satisfaction with export venture (SATE), α = .898						
SATE1	Expectation of success of our export activities	Indirect	3.03	1.087	-.663	-.324
		Direct	3.53	.862	-.487	-.468
		Total	3.29	.999	-.709	.026
SATE2	Fulfillment of goals and expectations of our export activities	Indirect	3.09	1.083	-.792	-.121
		Direct	3.53	.862	-.487	-.468
		Total	3.32	.990	-.777	.184

Notes:

- items are measured by five-point Likert-scale ranging from 'very satisfied' (5) to 'very dissatisfied' (1) to answer the question 'My overall impression of our export activities over the last 2 years…'
-number of samples: Indirect export (N=34), Direct export (N=38), Total (N=72)

Additionally, the respondents demonstrate a consistent perspective on the export performance as there is not much difference in the mean values, except the item STRE3

has the lowest value (mean 3.08, Taking over of the international market share). Different to the item STRE1 (International competitiveness level) that was given nearly similar mean value from both exporting groups (mean 3.26 vs 3.39), STRE3 can be logically understood that the measurement of 'international market share' can be hardly measured from an exporting SME perspective, especially when the firm conducts indirect export through local intermediaries comparing to the direct exporters (mean 2.76 vs 3.37).

Given the context of the Vietnamese manufacturing industry, SMEs are enjoying the availability of international traders, especially the FDI sector which has generated approximately more than 70 percent of the country's export turnover in 2016 (PWC, 2017). However, general statistics of the export performance showed a consistent moderate value regarding financial, strategic, and satisfaction performance. The average mean value (3.35) of the export performance is just slightly above the neutral value, exposing that exporters are neither satisfied nor dissatisfied with their performance overall. The item FINE3 Growth achievement of our export activities received the highest mean value (3.69) while STRE3 Taking over the international market share of our export activities received the lowest mean value (3.08). Moreover, direct export and indirect export groups also have the highest mean value on the Growth achievement item, confirming the positive opinion about exporting activity of both groups in terms of financial achievement. Although the two items FINE3 (growth achievement) and STRE1 (international competitiveness level) are principally hard to measure in the context of Vietnamese SMEs.

The 'growth achievement' can be interpreted after a long-term achievement, such as after 5 years of export. In this study, the limit of export experience was a minimum of 2 years. The 'international competitiveness level' might not be necessary given to the SMEs. As the main goals of exporting SMEs are not to globally compete, but to find a niche market that facilitates its operation. Moreover, for indirect exporting SMEs, 'international competitiveness level' was less focused on its daily function. Thus, it can be explicable that these two items were perceived a slightly smaller value compared to STRE2 (mean 3.35, Strategic position in the international market of our export

activities). Especially for the direct exporters, this item has the highest value among the three strategic items (mean 3.55).

5.2.3 Results of the non-parametric tests

In this section, the focus is to find the differences regarding the dynamic capabilities and network resources between two export groups. The aim is to check whether direct exporters have a significantly greater endowment of dynamic capabilities and network resources than indirect exporters or not. In this situation, the Mann-Whitney U test is selected to investigate the differences.

As an extra, the approach to non-parametric tests further explores the relationship between dynamic capabilities, network resources and export performance. The Spearman correlation is conducted to measure the correlation within each group.

Normality of data

The normality distribution of data is examined to check whether the use of non-parametric test is suitable. To assess non-normality of data, the two-descriptive statistics Skewness and Kurtosis should be examined. There are one value of Skewness and one value of Kurtosis that are outside the range of ±1. According to Hair et al (2017), these values which are greater than 1 are indicative of non-normal data. Table 35 demonstrates the value of skewness and kurtosis.

Table 39. Skewness and Kurtosis values

	No. of items	Mean	Std. Deviation	Skewness	Kurtosis	Alpha
DynCap	9	3.80	.657	-.330	-.448	.789
Network	14	3.22	.769	-.735	.855	.870
ExPer	8	3.35	.792	-1.156	1.632	.907

An alternative option to examine the data normality distribution is to use the SPSS functions with the two availabilities of the Kolmogorov-Smirnov test and Shapiro-Wilks test being applied (Sarstedt & Mooi, 2014). The Kolmogoronov-Smirnov and the Shapiro-Wilk tests provided similar evidence (as p-value smaller than 0.05) of the non-normality of distribution of indirect and direct group. Thus, non-parametric tests are considered appropriate. The Mann-Whitney U test was performed over the two groups to test the differences between the two groups: indirect exporters and direct exporters.

The test for distributions of export performance and dimensions of dynamic capabilities and network resources was conducted. As the samples from each exporting group are smaller than 50, the Shapiro-Wilk statistics were used because the test is preferred as it is generally more sensitive and more appropriate for small samples.

Table 40. Shapiro-Wilk statistics

	Export Mode	Shapiro-Wilk		
		Statistic	df	Sig.
Export Performance	Indirect export	.864	34	.001
	Direct export	.941	38	.045
Social network	Indirect export	.954	34	.167
	Direct export	.950	38	.090
Information network	Indirect export	.949	34	.114
	Direct export	.944	38	.059
Institutional network	Indirect export	.923	34	.020
	Direct export	.935	38	.028
Market network	Indirect export	.889	34	.002
	Direct export	.833	38	.000
Sensing	Indirect export	.928	34	.028
	Direct export	.956	38	.140
Seizing	Indirect export	.946	34	.091
	Direct export	.809	38	.000
Leveraging	Indirect export	.882	34	.002
	Direct export	.903	38	.003
Transforming	Indirect export	.910	34	.009
	Direct export	.820	38	.000

The result shows that, for skewed data, almost all variables are not normally distributed, as the p-values are smaller than 0.05, except for the cases of information network and institutional network. Therefore, an appropriate non-parametric test can be used for analysis even though the data is not perfectly non-normal distributed. Thus, the non-parametric Spearman rank correlation test was used to further explore the relationships between dynamic capabilities, network resources and export performance.

MWU results of the control variables

An overall Mann-Whitney U test was performed over the two exporting groups. The comparisons were carried on the two main variables 'DynCap', 'Network' and the three control variables 'Sector', 'Firm size' and 'Exporting Age'.

Table 41. MWU results of Control variables

Export mode	DynCap	Network	Sector	Firm size	Exporting Age
Indirect export (N=34)	29.47	30.19	41.75	28.63	30.21
Direct export (N=38)	42.79	42.14	31.80	43.54	42.13
U	**407.0****	**431.5***	**467.5***	**378.5***	**432.0***
W	1002.0	1026.5	1208.5	973.5	1027.0
Z	-2.700	-2.421	-2.076	-3.215	-2.419
r	0.318	0.285	0.245	0.379	0.285

**p<0.05, **p<0.01*

The results provide evidence that the two exporting groups differed significantly in terms of dynamic capabilities, network resources, firm size, sector and exporting age. The findings of these control groups are in line with previous studies which will be discussed in the discussion part. This result offers statistical confidence for further investigation of the two exporting groups in terms of dynamic capabilities and network resources.

MWU results of Dynamic capabilities

Table 42. MWU results of Dynamic capabilities

Dynamic Capabilities	Mean rankings		U	W	Z	r
	Indirect (N=34)	Direct (N=38)				
Sensing						
SENS1 Market opportunities	30.81	41.59	**452.5***	1047.5	-2.3	0.27
SENS2 Technological opportunities	34.96	37.88	593.5	1188.5	-.62	0.07
SENE3 Mobilization of resources	35.71	37.21	619.0	1214.0	-.32	0.04
Seizing						
SEIZ1 Decisions making	27.06	44.95	**325.0*****	920.0	-3.9	0.46
SEIZ2 Absorbing resources	29.62	42.66	**412.0****	1007.0	-2.8	0.32
Leveraging						
LEVE1 Replicating a process or system	36.72	36.30	638.5	1379.5	-.09	0.01
LEVE2 Extending resources	30.85	41.55	**454.0***	1049.0	-2.3	0.27
Transforming						
TRAN1 Renewal and modification	31.63	40.86	**480.5***	1075.5	-2.0	0.24
TRAN2 Transformation	32.16	40.38	498.5	1093.5	-1.8	0.21

**p<0.05, **p<0.01, ***p<0.001*

The Mann-Whitney U test identifies the differences between each measured indicator of dynamic capabilities. The table above presents the summary statistics for direct and indirect exporting groups for the main indicators. The mean rankings of each measured indicator are shown within two exporting groups. In general, the mean ranking of each indicator is greater for direct exporters than indirect exporters except the indicator LEVE1 (mean rankings for direct and indirect exports are 36.30 and 36.72 respectively). The effect size r is also reported to support the Mann-Whitney U test results.

The result shows the two groups of firms in response to the perception of dynamic capabilities in export. The Likert five-point scale ranging from "1 = strongly disagree, to 5 = strongly agree". The perceived dynamic capabilities are different between direct and indirect exporters. In total, five statistically significant differences were found between the two exporting groups out of nine items. The five components of dynamic capabilities are significantly different between two the exporting groups, in which the differences are significantly greater for direct exporters than for indirect exporters.

The first item of differences is SENS1 'We have dedicated resources to identifying export market opportunities', which explains the capability of market opportunities recognition, which is perceived higher by the direct exporters. The mean ranks are 41.59 and 30.81, respectively. The difference is significant at the 5 percent level, $p<0.05$.

The second item of differences is SEIZ1 'Internationally orientated decisions to foreign market expansion are important for firm's growth', clarifying the capability of decision making when firms enter the foreign market. The mean ranks are 27.06 for indirect export and 44.95 for direct export. The difference is significant at 1 percent level, $p<0.001$. This item can explain the most differences in terms of dynamic capabilities between the two groups.

The third item of differences is SEIZ2 'We can address the export opportunities from our developed products or services', demonstrating firm capability of seizing resources. The difference is significant at 1 percent level, $p<0.01$.

The fourth item of differences is LEVE2 'Our firm makes efforts to introduce one new product to the export market recently', enlightening firm capability of extending resources. The difference is significant at 5 percent level, $p<0.05$.

The fifth item of differences (TRAN1) is 'Our firm puts efforts to undergo renewal and modification as markets and technologies change quickly', presenting a firm level of renewal and modification to maintain competitiveness over its competitors. The difference is significant at 5 percent level, $p<0.05$.

The results, however, find no significant differences between the two exporting groups regarding SENS2 'We have dedicated resources to identifying technological opportunities', SENS3 'We invest in prerequisite resources needed to conduct the business', LEVE1 'Our daily operational activities are based on a developed business process or system', TRAN2 'We continuously standardize our exporting products and modernize our technologies for future growth of our firm'.

MWU results of Network resources

The Mann-Whitney U test was employed for assessing differences between the two sample groups: direct (N=38) and indirect exporters (N=34). The means of responses were used to identify whether significant differences exist between the two exporting groups concerning firms' utilization of their network resources.

In total, six out of 14 items are significantly different between the two groups. These are INFO2 - Government assistance links, INFO3 - Legal advisory agencies, INFO4 - Trade promotion agencies, INST1 - Financial institutions, INST2 - Knowledge institutions, and MARK3 - Potential customers.

Table 43. MWU results of Network resources

Network resources	Mean rankings		U	W	Z	r
	Indirect (N=34)	Direct (N=38)				
Social network						
Informal contacts	34.50	38.29	578.0	1173.0	-.797	0.094
Friends and family members	37.63	35.49	607.5	1348.5	-.448	0.053
Information network						
Export trade associations	32.09	40.45	496.0	1091.0	-1.738	0.205
Government assistance links	29.71	42.58	**415.0****	1010.0	-2.670	0.315
Legal advisory agencies	30.09	42.24	**428.0***	1023.0	-2.514	0.296
Trade promotion agencies	27.72	44.36	**347.5*****	942.5	-3.456	0.407
Institutional network						

Financial institution	31.04	41.38	**460.5***	1055.5	-2.161	0.255
Knowledge institutions	31.50	40.97	**476.0***	1071.0	-1.971	0.232
Media organizations	34.68	38.13	584.0	1179.0	-.715	0.084
Technological partners	31.88	40.63	489.0	1084.0	-1.842	0.217
Public services providers	37.01	36.04	628.5	1369.5	-.204	0.024
Market network						
Logistics companies	32.68	39.92	516.0	1111.0	-1.569	0.185
Suppliers	36.90	36.14	632.5	1373.5	-.171	0.020
Potential buyers	30.81	41.59	**452.5***	1047.5	-2.297	0.271

Table 39 displays the results of the Mann-Whitney U test comparing direct and indirect exporters in relation to firms' network resources. The data were collected on a five-point Liker scale ranging from '5 = very frequently 'to '1 = very rarely'. Out of 14 measured-items, 6 statistically significant differences were found between the two exporting groups. Remarkably, the findings demonstrate that direct exporters had significantly higher levels of resource utilization than indirect exporters. Although one item INST5 – public services providers –, the only item that has a higher mean value for indirect exporters than direct exporters, however, the difference is not statistically significant.

Table 44. MWU results of Network resources dimensions

Indicators	**Mean rankings**		**U**	**W**	**Z**	**r**
	Indirect (N=34)	Direct (N=38)				
Network resources	30.19	42.14	**431.5***	1026.5	-2.421	0.285
Social network	35.31	37.57	605.5	1200.5	-.462	0.054
Information network	28.50	43.66	**374.0****	969.0	-3.078	0.363
Institutional network	31.06	41.37	**461.0***	1056.0	-2.097	0.247
Market network	32.26	40.29	502.0	1097.0	-1.647	0.194

In general, statistical data shows that direct and indirect exports had different levels of network resources utilization. The average mean value of direct exporters is 42.14 and indirect exporters is 30.19, respectively. The p-value (0.015) is within the cutoff value of 5 percent significant. Among four dimensions of network resources, the two dimensions: information network and institutional network are significantly different between direct and indirect exporters. While the other dimensions of social network and market network are not statistically significantly different. This general overview indicates that the utilization of social network is embedded within the local culture, as social networks play a key role for the development of SMEs (T. H. Nguyen, Alam, Perry, & Prajogo, 2009), especially in the early stages of the journey toward the market economy and global trade. Social network is also one of the most common types of networks, such as ties with friends and relatives (Coleman, 1988; Granovetter, 1985). Thus, it is reasonable in this case that no significant differences were found between direct and indirect exporters. Similarly, no significant differences were found in relation to market network between the two groups in general. It can be argued that the market network holds different ties but represent nearly similar roles to each exporting group. Therefore, the differences were not found on the dimension level and should be further analyzed on item level. Each market network tie is essential for exporting functions. The differences between the two groups regarding information network and institutional network indicate that the supportive mechanisms play a role to facilitate different options of export. It provides evidence that information network and institutional network influence direct and indirect exporters in different ways. Advisedly, information network and institutional network are the key networks that indirect exporters should extensively exploit in an effort to move forward to the direct export option.

Further comparisons of every single dimension below investigate the differences of both exporting groups on measured-item level.

Social network

The social network dimension contains 2 items: SOCI1 – personal and informal contact, and SOCI2 – friends and family members. The Mann-Whitney U test indicates no statistically significant differences between the two exporting groups.

Information network

The information network dimension includes 4 items. The Mann-Whitney U test result shows that three items INFO2, INFO3, INFO4 are significantly different. Item INFO1 is not significantly different between the two exporting groups as the p-value is slightly above the significant cutoff value of 0.05, $p=0.082$. Thus, it is pertinent that moderate differences do exist between the two groups in relation to the export associations.

Institutional network

The institutional network dimension has 5 items. Results from the Mann-Whitney U test indicate that two items INST1, INST2 are significantly different between direct and indirect exporters. No differences emerged in relation to INST3 and INST5. Interestingly, there is a small difference with INST4 whereas the p-value is slightly above the significant cutoff value of 5 percent, $p=0.065$. This is properly related, as it indicates that for direct exporters, technological partners are more relevant to the progress of producing final products for export. Compared to indirect exporters, the level of technology involved in the production is less essential to meet the standards and export qualifications.

Market network

The market network dimension has three items. The Mann-Whitney U test confirms that the differences between direct and indirect exporters are significant only for MARK3 – potential customers. Neither the MARK1 – logistics companies nor MARK2 – suppliers indicated statistically significant differences between the two exporting groups.

Relationship between Dynamic capabilities and Export performance

Results of the Spearman's rho test shows the differences between direct and indirect exporters in the relationship between dynamic capabilities and export performance. That is, in similarity, no significant correlation relationship has been found between SENS and ExPer. Also, the same result applies to the total samples.

Besides that, the similarities also have been found between direct and indirect exporters regarding the relationship between SEIZ, LEVE and ExPer. There are significant correlations between these two dimensions of dynamic capabilities and export performance. On the other hand, TRANS is significantly correlated with ExPer with indirect export, but not with direct export (Spearman correlation coefficient .280, not significant at 0.088). It reveals the main differences between the two groups in explaining the relationship between dynamic capabilities and export performance. Further explanation is given in the discussion section.

Table 45. Spearman correlation between DynCap and ExPer

		Group	ExPer	SENS	SEIZ	LEVE	TRANS
ExPer	Correlation Coefficient	Indirect export	1.000	.190	**.460****	**.369***	**.448****
		Direct export	1.000	.059	**.396***	**.401***	.280
		Total	1.000	.166	**.531****	**.399****	**.405****
	Sig. (2-tailed)	Indirect export	.	.282	.006	.032	.008
		Direct export	.	.724	.014	.013	.088
		Total	.	.162	.000	.001	.000
	N	Indirect export	34	34	34	34	34
		Direct export	38	38	38	38	38
		Total	72	72	72	72	72

**. Correlation is significant at the 0.05 level (2-tailed).*
***. Correlation is significant at the 0.01 level (2-tailed).*

Relationship between Network resources and Export performance

The Spearman's Rho correlation was run to assess the relationship between network resources and export performance of two groups. Four main components of the network resources were tested.

The results demonstrate some interesting outcomes regarding the differences between the two groups. In the indirect export group, three components have been found significantly correlated with export performance, namely SOCI, INFO, and MARK. Whereas, none-of the components have been found significantly correlated with export performance in the direct export group.

Table 46. Spearman correlation between Network and ExPer

		Group	ExPer	SOCI	INFO	INST	MARK
ExPer	Correlation Coefficient	Indirect export	1.000	**.399***	**.356***	.104	**.404***
		Direct export	1.000	.077	.275	.077	.270
		Total	1.000	**.235***	**.416****	.162	**.391****
	Sig. (2-tailed)	Indirect export	.	.020	.039	.560	.018
		Direct export	.	.647	.094	.647	.101
		Total	.	.047	.000	.174	.001
	N	Indirect export	34	34	34	34	34
		Direct export	38	38	38	38	38
		Total	72	72	72	72	72

**. Correlation is significant at the 0.05 level (2-tailed).*
***. Correlation is significant at the 0.01 level (2-tailed).*

The Spearman correlation also shows that there is no significant relationship between INST and ExPer in both groups, as well as in the total group. Further expositions to explain these relationships are provided in the next section.

5.2.4 Summary of Quantitative research results

Dynamic capabilities between direct and indirect exporters

In this study, the analysis focused on explaining the differentials in dynamic capabilities between the direct and indirect Vietnamese manufacturing exporters. The results support the view of differentials in firm modes of export engagement from dynamic capability perspectives. In general, the statistical results confirm that direct exporters have significantly higher degrees of dynamic capabilities compared to indirect exporters.

First, the study finds that the major differences between direct and indirect exporters are the decision makings to the international market and the ability to observe and capture the best value from opportunities. These capabilities reflect the role of the managers on their motivation, skills and experiences (Zahra, Sapienza, & Davidsson, 2006) to be able to seize the opportunities and meet new challenges. In this case, the direct exporters perceived the uncertainty and complexity better than the indirect exporters to make their decisions for entering the foreign markets. This is in line with several studies, e.g. (Peng & York, 2001), reviewing the role of domestic intermediaries who facilitate indirect export mode, explained the low participation of indirect exporters in the global value chains. That is, indirect exporting firms depend on the intermediaries because the intermediaries possess country-specific knowledge that the firm lacks (Li, 2004), thus allowing indirect exporters to adopt lower exporting costs. Given the market complexity and business risk involvement, indirect exporting SMEs may not be able to handle the exporting activities without the support from the intermediaries, which in the end leads to low-added-value exporting products. The direct exporters may be required to produce higher-quality products hence have a stronger willingness to trade across borders for profits in returns. While indirect exporters, given in the context of being small in a transition economy, are often being 'price-takers' instead of 'price-makers' in their supply of low-added value exporting products, can sense more 'threats' in the global competitive market in terms of balancing growth and reducing risks.

Second, the findings reveal that direct and indirect exporters are significantly different in terms of sensing capability for new market opportunities. Compared to indirect exporters, direct exporters possess a stronger ability in dedicating resources to studying competitors and researching the export market. This issue reflects the firm capabilities of a sense of a competitive environment. According to Harreld et al. (2007), sensing capability is the core role of the managers to develop firm dynamic capabilities so that firms can be able to follow potential shifts in the international market. The direct and indirect exporters must be able to recognize the opportunities and threats when considering trading across the border. Put this more specifically in the context of this study, the direct and indirect exporting managers shall realize what are benefits of exporting. Although international business studies confirm the benefits of being internationalized, the WTO report reveals that SMEs participation in global trade is much weaker than the large enterprises (WTO, 2016). In a sector that is normally dominated by large enterprises like manufacturing, SMEs can always find barriers to access on a global scale. These barriers can be tariffs, quotas, administrative obstacles and other factors that inhibit SME exporters from success (Tan et al., 2018). In this case, direct exporters seem to perform better than indirect export as they undertake better capabilities as a means to break these entry barriers and enter the targeted markets.

Third, in terms of leveraging and transforming capabilities, the study also uncovers that direct exporters have a higher level of extending-resources capabilities and renewal capabilities. These factors recap the issue of being productive as a key to participate in global trade (Cusolito, 2016). The Vietnamese national association of small and medium enterprises admitted that the Vietnamese SMEs are small in scale, perceive extremely weak competitiveness (Vinasmes, 2018). The low-added value in export seems to be a long-last problem in Vietnam as the country has fallen into the middle-income trap (Ohno, 2009). The intention of exporting large volumes over many years was just changed slowly to add more values. In a recent report of the Swedish Trade and Invest Council looking for opportunities in Vietnam, automation, robotics and machinery were considered as perquisites to enhance productivity in the Vietnamese electronics and food processing industry (Business Sweden, 2015). The report

categorizes two types of industries, that are furniture, electronics, and food or beverage showing a high demand for automation; while automotive, chemicals, metals and machinery have a lower demand for automation (Business Sweden, 2015). The textile sector is one of the leading exporting sectors, however, the Swedish council believed that its labor-intensive production might not be changed easily in the short term. Similarly, the automotive sector does not have efficient operating factories, while the machinery sector lacks investment and government support policy.

Fourth, the study discovers no differences between direct and indirect exporters in terms of technological readiness and mobilization of requisite resources. These are major obstacles of the SMEs in developing countries as their limitations to capital information and costly requirements (WTO, 2016). 'Failing to prepare is preparing to fail' is one of the reasons to challenge SMEs growth and survival. In line with this issue, as revealed by the World Economic Forum (2015), the main obstacles to SMEs are access to finance, policy instability, inadequately educated workforce.

Fifth, leveraging capabilities in terms of replication is not significantly different between the direct and indirect exporters. This capability demonstrates firm leadership (Pablo et al., 2007) as an essential element in creating organizational climate and resource creation. The non-difference reveals that the direct and indirect exporters may not perceive this capability as the SMEs may not know how to deploy it (Ambrosini & Bowman, 2009). The lack of skill and technologies in developing countries also inhibits the SMEs to build the infrastructure and exploit a physical business operation.

Sixth, the study also finds no differences in terms of product standardization and technological modernization. Similar to the discussion of SMEs barriers in exploiting international business opportunities, SMEs face challenges of internal factors (finance, technology, and high-skilled employees) preventing them from participating in higher value chains. This gap compared to the large enterprises has been explained by the low presentation of small firms in global trade. Additionally, this capability is also one of the highest levels of dynamic capabilities that firms can maintain their competitive advantages by changing themselves over time. In other words, direct and indirect

exporters must rely on a certain set of valuable resources to enable this type of capability as a critical issue for their sustainable growth.

Moreover, this study also reveals that firm size and exporting experiences play a role in differentiating direct and indirect export. Firm size and exporting experience have been known as an important dimension in the relationship between productivity and exporting (A. B. Bernard, Eaton, Jensen, & Kortum, 2003). However, the sizes, in this case, small and medium, are often being treated differently within current governmental policy. Although the SMEs play a significant role in terms of GDP contribution (49 percent) and job creation (78 percent), the Vietnamese SMEs are particularly most disadvantageous among the ASEAN countries. Firm sizes and tax rates are strongly correlated within the context of Vietnamese enterprises. For instance, the tax rate for the SMEs in Vietnam is 20 percent while Singapore, Thailand and Indonesia are 17 percent, 15 percent and 12.5 percent respectively (Vinasmes, 2018). In contrast, most large enterprises receive tax incentives and tax reduction, such as the first 4 years of tax exemption, fixed rate of 10 percent of taxes in 15 years, and the next 9 years of 50 percent tax reduction. Thus, unfair taxation policies were not wisely offered in supporting small enterprises in the economy, bringing some drawbacks in the local business environment. Research supporting policies and implications for exporting manufacturers becomes one of the key actions to facilitate these free trade commitments and support domestic production.

In conclusion, although a number of research interests in dynamic capabilities have been done, the dynamic capabilities that emerge in exporting SMEs have been just discussed. The early research often views export as a general mode without distinguishing direct and indirect options. This study discusses the differences between the two modes and draws a suggestion that the direct exporters have a greater possibility to advance the export accomplishments compared to indirect exporters. Direct exporting firms may be less dependent on a situation that involves resource constraints which is a common obstacle for most small firms. This finding is also in line with Hessels and Terjesen (2010) who stated that several factors affecting the choice of the direct and indirect mode and that these two modes must, therefore, be

distinguished in SMEs internationalization research. As the global trading environment is complex, the differences between direct and indirect exporters indicate that indirect exporters may find it difficult to know which dynamic capability to use (Ambrosini & Bowman, 2009) compared to direct exporters. The international market is dynamic and fast-changing, and as such exporting firms need to be aware of the strategic change that it would be possible to remain flexible and stable on their path to internationalization. This study thus contributes to a better understanding of the dynamics of exporting SMEs, adding the theory on how to improve the growth of SMEs more inclusively.

The figure below summarizes the findings of dynamic capabilities and reviews the differences between direct and indirect exporters.

Figure 39. Comparing dynamic capabilities of direct and indirect export

Significant differences	Non-significant differences
• Finding market opportunities • Decisions making • Absorbing resources • Extending resources • Renewal and modification	• Finding technological opportunities • Mobilization of resources • Replicating a process or system

Source: own elaboration

Network resources between direct and indirect exporters

Social network

In general, the results confirm that social network has little relevance in explaining the differences between both groups. Informal contacts seem to be more relevant to direct exporters while friends or family members seem to be more related to indirect exporters. These features confirm Nguyen et al. (2009) conclusion that social network is embedded within the local culture and plays a key role in the development of SMEs.

Information network

First, the Mann-Whitney-U test reveals that information network plays a significant role in distinguishing the direct and indirect exporters. Four out of five items of the information network dimension are significantly different between the two groups. The only exception INFO1 - Export associations received the p-value (0.082) under the significant cutoff value of 0.05. Nevertheless, the distance is small showing that INFO1 correspondingly performs some considerable differences. Similar to the general trade associations that are commonly established in each business sector, export associations in Vietnam have a smaller number of official registrations, but also serve the main purposes of sharing experiences in the industry and exchanging valuable information. Nevertheless, in the previous discussion the role of the trade associations, local exporters argued that the associations have limited contributions in terms of export consultancy and customs support. Instead, the members are more embedded into networking sessions which claim that they mostly receive only general information. This argument thus can be explained in line with the finding that INFO1 is not significantly different between direct and indirect exporters, as both groups did not fully take advantage of the export associations. Also, the mean values show that direct exporters also had the lowest mean value of INFO1 (mean = 40.45) among the four items of the information network. On the other hand, item INFO2 - Government assistance links are significantly different between direct and indirect exporters. The assistance of the government is usually through tax benefits, credits, and procedure support. In 2017, the Vietnamese government introduced the SME Law to facilitate SME growth in terms

of incentives, credit access, land rental preferences, human resources development and legal consultancy. The law took effect in January 2018, hoping for an optimistic future of the SMEs to overcome challenges, compete with FDI companies, and integrate into the global value chains. This recent law came into effect, explaining the challenges that SMEs experienced over the past decades. Nevertheless, the difference between direct and indirect exporters demonstrated that direct exporters can essentially enhance flexibility and responsiveness. This result of INFO2 confirms the above findings, that direct exporters adapted to the environment and perceived a higher level of dynamic capabilities compared to the indirect exporters. Similarly, explaining the different levels of resources utilization in different stages of export, the difference in INFO3 - Legal advisory agencies once again corroborates the choices of foreign market entry options. The literature reviewed that SMEs may use a variety of foreign market entry options which vary significantly concerning benefits and costs (V. M. Sharma & Erramilli, 2004). As proof, in this case, legal advisory agencies seemed less to captivate the indirect exporters due to the matter of costs. Lastly, item INFO4 - Trade promotion agency is also significantly different between the two groups. The national trade promotion organizations are determined to enrich the knowledge and activities through the exchange of practices and experiences. The Vietnamese trade promotion agencies can be cost-effective tools for SMEs to develop their export through related support services. In an emerging economy, Vietnamese exporters can access two types of trade promotion organizations: governmental and non-governmental. The wide spectrum of services that are provided by these organizations requires exporting firms' active participation and coordination efforts. Differently, direct exporters were more effective in terms of receiving assistance with relevant organizations in trade promotion compared to indirect exporters. As important for direct exporters is to expand the international market, the assistance program in trade promotion commonly guiding local firms in building, promoting, and protecting the product brands. Thus, not surprisingly when item INFO4 was reported with the highest mean value for the direct exporters and the lowest mean value for indirect exporters among the four-items of information network.

Institutional network

The second dimension of network resources, institutional network, is significantly different between direct and indirect exporters (p-value smaller than 0.05). Approach to institutional network allows firms to access financial sources, knowledge, communication, technology, and infrastructure. The Mann-Whitney U test shows that two out of five items are significantly different between the two groups, namely INST1 - Financial institutions, and INST2 - Knowledge institutions. While no differences have been found in terms of INST3 - Media organizations, INST4 - Technological partners, and INST5 - Public services providers between the two groups. The key difference is INST1 – Financial institution in which direct exporters had stronger access to finance than indirect exporters. Although evidence of better access to credits was found, it has been reported that lack or insufficiency of finance SMEs participating in the global trade. In 2015, the World Bank reported that access to finance is perceived as one of the top business constraints by firms surveyed in Vietnam, with a significantly higher proportion compared to Malaysia, Thailand and China (World Bank, 2017). Recently, Facebook, the OECD and the World Bank corroborate this barrier in a survey in 2017 to help understand the business sentiment. This Future of Business Survey is a new source of information on SMEs with a monthly survey in a partnership between Facebook, OECD, and the World Bank. The survey has respondents from across 22 countries – 13 high-income countries and 9 middle-income countries including Vietnam. The data can be accessed at www.futureofbusinesssurvey.org. The SMEs were asked to cite barriers to trade and the results reveal the following factors: finding business partners (63 percent), market access limitations (41 percent), different regulations in other countries (38 percent), customs regulations (35 percent), language or cultural gap (33 percent), securing export finance (31 percent), poor online payment alternatives to selling online (29 percent), large geographical distance from home country (26 percent), and poor internet connection to sell online (18 percent) (OECD, 2018b). This online survey is not surprising as SMEs barriers to finance are mostly reported in various surveys. Nevertheless, exempting from the top three obstacles shows that more SMEs today have found a way to improve the access ability to credit issues, either through formal or informal funds. Thus, the difference between direct and

indirect exporters in terms of accessing financial institutions is likely connected with the result of OECD 2017 survey. The direct exporters had stronger associations with the credit providers which can bring invaluable relationships and secure business opportunities. Equivalently, good relations between the financial institutions and exporting SMEs serve as a bridge between exporting countries and exporting destinations in the flow of goods and services. This specific network relationship engages a variety of stakeholders in the domestic business environment and possibly nurtures greater SMEs participation in global trade.

The significant difference regarding INST2 - Knowledge institutions between the two groups also extensively distinguishes the quality of the institutional environment. This result assesses the strength of direct exporters in terms of attaching to universities and research institution resources. The importance of knowledge institutions does not only provide a high standard of human resources but also facilitates innovative activities which are potential for the process of export development and scale-up. The ties with knowledge institutions are partially weaker for indirect exporters can to some extent explain the pursuit of this entry mode. As direct exporters carry higher risks and invest in knowledge might not yield immediate profit but intend to focus on future return on investment. To acquire the larger shares of the market through direct exports, SMEs must rely on the higher standard of products and productivity. The manufacturing sector is globally dominated by large firms, thus without evolving knowledge networks, SMEs cannot move ahead with an advanced manufacturing process. Although investing in know-how can be risky financing, and not always guarantee the desired result, it is still important for future-oriented and long-term activities for the exporters.

Third, no significant difference has been found related to INST3 - Media organizations. This result is surprising as direct exporters were expected to have strong ties to media organizations for communication and branding development. The result, however, complies with the previous discussion in the qualitative section, that direct exporters were not satisfied with their current communication. It is common that due to supersaturation in today's commercial advertisement, SMEs face challenges to have effective communication that meets the specific target customers. Especially,

connecting with the customers in the exporting destination can be costly through a media agency. Additionally, most small firms today can find different efficient channels, such as social media and digital marketing, to target their customers, thus giving low attention to media companies than large firms. The low mean value reported for INST3 reveals that marketing strategies among exporting firms could be still improved. Small firms that aim for international success must have prosperous approaches to represent the company and be able to convince customers.

Fourth, the item INST4 - Technological partners were found not significantly different between the two groups. However, as the p-value is closed to the cutoff value of 0.05 ($p=.065$), it still can be argued that the difference is partially significant. In the international trade environment, SMEs must adapt to new technologies to stay competitive and cultivate growth. Therefore, forming strategic technology partnerships enable SMEs to strengthen capabilities and enjoy up-to-date technology. However, when it comes to the international trade arena, adopting new technologies can support exporters to meet standard requirements. Embracing new tech with a technological partner is a good way that SMEs should have. Consistently, technology has become ubiquitous, allowing firms to overcome the limitation of physical location to go international. In this study, although it has been uncovered that direct exporters integrated into technology better than indirect exporters, the difference is not significant. Thus, requiring more proper efforts from both groups form strategic technology partnerships to remain adaptable in the international markets.

Fifth, no significant difference has been found related to INST5 - Public services providers between direct and indirect exporters. Both groups reported a low mean value of INST5. Surprisingly, direct exporters even provided a lower mean score compared to indirect exporters, as of 36.04 and 37.01, respectively. The public services include fundamental facilities that are necessary for an enterprise to function, such as power supplies, transportation systems, communication systems. Government investment in public facilities is still the hindmost of the development of the private economic sector. One of the major concerns of the manufacturing firms is power supply costs. In the qualitative part, it was acknowledged that electricity costs for production are high in

Vietnam, especially higher in comparison with foreign firms which received government incentives. In the supply-side factors, electricity is among the top obstacles to conducting business for SMEs in Vietnam (WTO, 2013), ranked number 4 after access to finance, anti-competitive practices, and access to land according to the WTO joint-publication. Although according to EVN, the largest power company in Vietnam, electricity costs about 8 cents/ kWh in 2016, it was claimed that the electricity price is not transparent (P. Nguyen, 2016). This independent calculation estimated that electricity costs truly three times higher than what EVN reported, which is about 25 cents. The reviewer also criticized the government incentives for FDI enterprises that only need to pay 4.5 cents per kWh and the rest must be compensated from the national tax income. Although the government put efforts to keep the electricity price low, the consumption demand in Vietnam is among the highest in East Asia. In social aspects, although EVN received support from the World Bank since the 2000s to expand the power grid, in 2018 there is about more than 1 percent of households that do not have access to electricity in 2018 (EVN, 2018). Currently, the major power supplies in Vietnam are hydropower (33.8 percent), coal-fired power (30 percent) and gas turbine (34 percent). New projects and investments in alternative sustainable sources of power are actively under construction, but also yield a possibility of price increases in the near future. Thus, manufacturing firms might have captured this challenge and been less positive about public services.

Market network

The result shows that direct exporters are more likely to engage with logistics companies, but no significant difference was found compared to indirect exporters. Earlier in this research, direct exporters mentioned that the underdevelopment of the national transportation system, especially in Ho Chi Minh City, is a great challenge. The high costs of logistics, as well as delay in delivery, are one of the main causes preventing Vietnamese SMEs to win over international competitors, especially those from the Southeast Asian region. The transportation cost accounts for more than half of the logistics cost in Vietnam, reaching 21 percent of the GDP in 2017 (Vietnam Briefing, 2018). According to the Logistics Performance Index 2018 from the World Bank, Vietnam ranked 39 (up from 64th in 2016), has improved significantly, but still far

behind Germany (ranked 1st), Singapore (ranked 7th), Thailand (ranked 32). The key accessed factors were customs, infrastructure, international shipments, logistics competence, tracking and tracing, and timeliness (World Bank, 2018b). Customs is the indicator of customs and border clearance process efficiency; infrastructure is the indicator of ports and roads quality; international shipments are related to arrangement and price; logistics measures the quality of services; tracking and tracing reflect the ability of technology advancement; and timeliness indicates the efficiency of delivery time. Among the six measured indicators of logistics performance, tracking and tracing, as well as customs and infrastructures rose the highest. However, international shipments did not much improve as it jumped only one sport higher. A criticism that one could raise about the performance is that Vietnam has a relatively ideal geographical location for logistics. Vietnam with a coastline of 3260 km, excluding islands but has currently only two large seaports, namely Da Nang port, and Saigon port, and some smaller ports. Similarly, in terms of airports, there are a number of domestic airports and 11 international airports, in which only three big ones, namely Noi Bai, Danang, and Tan Son Nhat are served heavily with international traffic. Besides, the railway system which is owned and operated by the state with a total of 2600km is already outdated. The railway system was established in the 1880s during the French colony and remains today underused. The in 2010 Green Book on Vietnam, it was reported that rail transport is considered the least relevant of all transport modes, accounting for only 4 percent of freight transportation in 2008 compared to 65 percent of road transport (EU, 2010). Therefore, the impact of Vietnamese logistics on SMEs export performance is potentially high, resulting in an unsatisfactory expectation from both direct and indirect exporters. Moving forward, the structure of the logistics sector must be reformed. For example, the Vietnamese firms should be involved in providing international logistics services which are currently provided by foreign companies. Currently, local firms engage more in domestic services and leave the potential market share of international services for foreign firms. To the same degree, the government needs to simplify the administration process. As indicated in the Logistics Performance Index 2018, customs although has been improved, still received the lowest score among six measured indicators, only 2.95 compared to the average of 3.27.

Second, the study finds no significant difference related to item MARK2 – Suppliers between direct and indirect exporters. Importantly, suppliers in the market network are vital entities for manufacturing firms. In the supplying networks, Vietnamese exporters may purchase materials from suppliers operating in the country and abroad. The mean values from Table 39 indicate that indirect exporters showed a higher value of MARK2 compared to direct exporters. Although the difference is not statistically significant, it is likely that direct exporters did not perceive sufficient supplies for their export. This is in line with the explanations in previous qualitative descriptions, that the domestic suppliers could not always offer desirable materials. Instead, exporting firms must seek alternatives, e.g. spare parts, from foreign countries, which requires going through timely and costly importing processes. According to FedEx Express, in July 2018 approximately 50 percent of the Vietnamese SMEs are importing from other markets, in which raw materials and components top the lists, for greater product variety and superior product quality (FedEx, 2018).

The weakness of domestic suppliers in the current global economy was due to the lack of cooperation and integration. Although a great number of foreign companies were extensively promoted, the associations of domestic firms formed to support each other are weak, especially in terms of domestic suppliers and service provided for SMEs (Customsnews, 2017). Regardless of the mass investment of large foreign firms into Vietnam, such as Samsung since 2013, in 2016, the International Finance Corporation reported that only 21 percent of the Vietnamese enterprises participated in the global supply chain, relatively small compared to Thailand with 30 percent and Malaysia with 46 percent (Customsnews, 2017). In the case of Vietnam, integration into the global value chains can be learned from the case of Korea and Japan, where domestic SMEs make close relationships with foreign companies to enhance trade opportunities. To close the current gap in terms of integration in global supply chains, as discussed previously, SMEs need to build trust among and with the foreign business partners. Thus, the efforts to enhance the competitiveness of domestic SMEs and its linkages with foreign investors should be strengthened, especially in the event of suppliers.

Third, item MARK3 - Potential customers is perceived as significantly different between direct and indirect exporters. MARK3 is an item reflecting the relationships that business partners intend to purchase products from the exporters. The item was anticipated to discover which group of exporters could focus on getting potential customers and put efforts to make them become actual purchasers. In market networks, the potential customers seem to be more intentioned for direct exporters, as direct exporters often engage in advertising and make the business known through trade events and personal visits. The involvement of potential customers in external networks appears to be the main difference between direct and indirect exporters. According to the World Bank's Doing Business 2018 report, Vietnam ranked 68th among 190 economies in comparing business ease for domestic firms (World Bank, 2018a). However, one of the 10 measured indicators named 'trading across borders' ranked among the lowest, besides 'starting a business' and 'resolving insolvency'. The low ranking of trading across the borders of the Vietnamese firms compared to other economies reveals that the ability to get quick access to global trade is low and different in terms of entry modes. With the official launch of the Vietnam Trade Information Portal (VTIP) in 2017 under the Ministry of Finance, the government expected that SMEs involved in import and export can save business time and operation costs. The online portal is supported by the World Bank, which can be accessed at www.vietnamtradeportal.gov.vn, offering tools and information for the facilitation of import-export. In all, the major differences between direct and indirect exporters with regards to potential customers are essential, as it leads to creating competitiveness and maintaining diversifications among exporting SMEs. Export is an important engine of the country's economy and facilitating export, especially indirect export, in terms of trading opportunities should be the main goal. So that trade across the borders of the SMEs will face fewer challenges and be able to drive the business growth. The growth of innovation and new technologies offer more trading options beyond borders. The prevalent digital e-commerce platforms allow the borderless marketplace to be simply established. In 2017, the Department of E-commerce and Digital Economy under the Vietnamese Ministry of Industry and Trade reported that Vietnam has the e-commerce growth rate at 35 percent annually, 2.5 times higher than Japan (Vietnamnet, 2017). The survey also revealed that 36 percent of the Vietnamese SMEs use websites and e-

transactions but only 11 percent joined foreign e-commerce platforms, showing a low capacity of e-commerce and little efforts of SMEs to reach the foreign markets. Thus, with less efficiency in terms of attracting business customers, SMEs exporters, especially indirect exporters, should be more optimistic and enthusiastic to adopt these advanced solutions and directly connect with consumers. In conclusion, on top of all market network types, connectivity is considered the important role for SMEs to develop with consumers specifically and foreign markets generally. Drawing from the previous discussion in the qualitative section similar result, direct exporters are on average more active than indirect exporters on collaborating with business partners. This finding is important, as it confirms WTO's conclusion that in developing countries, indirect exports in the manufacturing sector of SMEs were estimated three times lower than direct export (WTO, 2016). Thus, this study suggests that every manufacturing firm, although has its business ties, should not be limited to potential customers.

The figure below summarizes the findings of network resources and reviews the differences between direct and indirect exporters.

Figure 40. Comparing network resources of direct and indirect export

Significant differences	Non-significant differences
• Government assistance links • Legal advisory agencies • Trade promotion agencies • Financial institutions • Knowledge institutions • Potential buyers	• Informal contacts • Friends and family members • Media organizations • Public services providers • Logistics companies • Suppliers

Source: own elaboration

In overall, this section explores the broader context of the network resources and compares the differences between direct and indirect exporters in terms of resources exploitation. The non-parametric analysis revealed four dimensions of the network

resources, namely: social network, information network, institutional network, and market network. The analysis also explored that information network and institutional network are the key differences in resources utilization between the two exporting groups. Direct exporting SMEs make use of government assistance, legal advisory agencies, and trade promotion agencies better than indirect exporters to enrich valuable information and thus get better access to the export markets. Whereas export associations were less important as external partners as the result of its roles and functions in supporting exporting SMEs. In the event of institutional networks, indirect exporters were significantly less efficient in terms of accessing finance and knowledge compared to direct exporters. These are the main barriers of SMEs to enter the global market which have been revealed in various reports from the World Bank, WTO, OECD, and local studies. This finding is important as it exposes that indirect exporters with less effectiveness in knowledge acquisition, can avoid costs in a short-term, but might find difficulties in the long-term. Firms with a lack of knowledge will encounter barriers in innovation, R&D activities, and the development of high-skill human resources. In contrast, no significant differences related to media organization and public services providers, partially significant differences related to technological partners. This result indicates that advertisement, technology, and public services are relevant to both types of firms as these resources are important for manufacturing firms. Direct exporters seemed to have stronger ties to media organizations and technological partners, but not to public services providers compared to indirect exporters. Similarly, the study also finds no significant differences between the two groups related to logistics companies and suppliers in the market network dimension. Logistics companies and suppliers are seen as important resources of the manufacturing exporters. However, although it can be certain that having consumers is essential for business survival, this study thus uncovered that potential customers were found significantly different between the two groups. As a consequence, it can be emphasized that stronger ties to potential customers allow superior advantages of direct exporters over indirect exporters. As there are no intermediaries involved, direct exporters have direct contact with consumers and tend to grasp the business opportunities with their potential business partners. The ability to exploit the available resources shows that direct exporters can adapt more efficiently to international market requirements, through investing in contacts with potential

customers to develop the process of market expansion. Instead, indirect exporters normally go through the network of trade agencies, being less predominant in terms of market shares. Although larger firms are dominant in total shares of exports, the involvement of SMEs in direct and indirect exports also varies significantly. In line with this result, the World Bank recorded that indirect export participation of SMEs in Developing Asia is about 3.7 percent, smaller than 8.7 percent of direct exports in the same region, and nearly three times lower compared to 9.3 percent indirect export in Developing Europe (WTO, 2016).

In sum, the section emphasized the factors that explain differences in firms' mode choice of direct and indirect exports. The exploitation of different external resources is the key element describing SMEs participation in global value chains. Although both direct and indirect exporters contribute to the global value chains, indirect exporters still depend on trade intermediaries and large firms to buy its goods or services and later distribute to the exporting markets before final consumption. Under this circumstance, the roles of indirect exporters are not often examined. Therefore, this study has revealed the involvement of indirect exporters, as well as direct exporters, adding a schematic demonstration of SMEs exporters in the international trade flows. The comparison of both groups correspondingly acknowledges the export linkages, from processing to export inputs and distribution for foreign consumptions. That is direct and indirect exporters participating in global marketplaces expose them to the opportunities to learn from each other. Although SMEs often perceive challenges from the penetration of global value chains (ADBI & ADB, 2016), their integration in the global value chains is a great advantage for the local economies. The World Bank considered that SMEs in Asia's industrial network is more advanced than other developing regions as they produce inputs for developed economies. Thus, inputs for domestic use are largely available. Taking Germany as an example from developed economies, until 2018 the German carmakers still rely on others, especially China, for battery cells in the area of electric mobility (Reuters, 2018). Therefore, as long as SMEs actively integrate into the global industries, the large firms also profit from this incorporation, leveraging higher levels of cross-border activities.

Relationships between dynamic capabilities and export performance

The differences between direct and indirect exporters in the relationship between dynamic capabilities and export performance are highlighted as follows:

First, there is a significant correlation between seizing capabilities and leveraging capabilities to export performance of both exporting groups. This means that the higher level of seizing and leveraging capabilities exporting firms have, the better export performance exporting firms perceive.

Second, in contrast, there is a significant correlation between transforming capabilities and export performance of indirect export but not with the direct exporter. This indicates that the higher transforming capabilities indirect exporting firms have, the better export performance they get in return. However, the relationship is weak between transformation capabilities and export performance for direct exporters.

Third, the study also finds no significant correlation between sensing capabilities and export performance of both exporting groups. This result verifies that increasing sensing capabilities does not automatically increase the export performance. Even though the knowledge of market opportunities have been found as a critical antecedent of export (L. S. Welch & Wiedersheim-Paul, 1980), it does not necessarily follow that firm will become a potential exporter (P. Ellis & Pecotich, 2001). This reveals that although finding opportunities is important and is the first step in the exporting process, exporting firms more likely need to improve seizing and leveraging capabilities to enhance international trade performance. For indirect exporters, it is also important to foster the transformation capabilities, which is aiming at undergoing renewal and modernizing technologies as markets and technologies change once again (Katkalo et al., 2010).

Relationships between network resources and export performance

The relationship between network resources and export performance between direct and indirect exporters provides some food for thought.

First, there is a significant correlation between social network, information network, and market network to export performance of indirect export. This result indicates that the stronger ties to social network, information network, and market network the better performance indirect exporters have. The positive relationship between home-based social network and indirect export has been recognized as an efficient means of helping SMEs to go international more rapidly and profitably (Zhou et al., 2007). Similarly, Ellis and Pecotich (2001) acknowledged that existing social ties, especially personal contacts, strongly influence the export initiation of SMEs. The low participation of SMEs in global trade indicates that exporting firms do not establish a strong contact with foreign customers, especially due to often being ignored in social context (Granovetter, 1985). Social relations are one of the best examples to explain our current economic and social structure which are related to embeddedness. Often each business activity is constrained by non-business institutions. Thus, the stronger personal relations in business networks would strengthen the exporting activities between the exporters and customers. The particular type of indirect export, in which the export process is mostly implemented by trade intermediaries, to some extent weakens the active involvement of indirect exporters with other social entities compared to direct exporters.

Additionally, the significant correlation between market network and indirect exporters also reveals that the roles of trading companies are approvingly important. Different from Japanese general trading companies which are called “sogo shosha”, a large share of Vietnamese exports is handled by international trading companies like other typical exporting countries. Most international logistics companies operate by large international enterprises. These firms serve a wider range of export activities beyond trade and distribution. Local Vietnamese indirect exporters also need to take part in services, delivery, and warehouses. As a consequence, indirect exporters tend to have a lack of these relationships, and thus lacking knowledge spillovers from various business entities. To some extent, indirect exporters generally have fewer sales efforts and take

a position of low profitability. Accordingly, stronger ties with relevant exporting entities would reinforce indirect exporting performance by the end. One example could prove this is the “Mittelstand” firms in Germany. These are often called ‘Hidden champions’ of Germany in terms of being successful and strongly taking over the international market share, making Germany the world second largest exporters after China. These firms tend to specialize in innovation and target high-profit markets but also have been reported as preferring indirect export through large enterprises in their industrial networks (KFW, 2017). Indirect SMEs exporters account for 18 percent of total turnover in manufacturing sectors and more than 50 percent of the total turnover derives from foreign sales (KFW, 2016). This example of German Mittelstand can convincingly portray the importance of relationships between indirect exporters and market networks in the manufacturing sector.

Second, in contrast, there is no significant correlation between institutional network and export performance of both groups. This signifies that institutional networks, which include five different types of organizations in this study, do not directly relate to export performance. In line with this study, it has been acknowledged that internationalization networks have an indirect influence on international performance (Stoian, Rialp, & Dimitratos, 2017). Nevertheless, the insignificant relationship between institutional networks and export performance also depends on the networking activities that exporting SMEs are involved in. As networks have been known as SMEs resources constraints, and are drivers of SMEs internationalization (Chetty & Holm, 2000; Coviello, 2006; Hilmersson & Jansson, 2012). Thus, in another view, both exporting groups do not strongly associate and strategically exploit the availability of institutional networks on their internationalization route. Additionally, accessing financial resources or technology and knowledge can be a favorable condition for export and thus resulting in a similar result between direct and indirect exporters.

Third, interestingly, the study also finds no significant correlation between social network, information network, institutional network, market network and export performance of direct export. The results show that fostering relationships to direct exporters’ network resources do not directly contribute to the success of SMEs in foreign

markets. This can be the consequence of export entry mode, once firms already export directly, firms might have developed prerequisite relationships prior to the export process. As a result, network resources play moderating roles, between firm capabilities and export performance. In contrast with direct exporters, indirect exporters must depend on the trade intermediaries to handle the export transaction to foreign markets, thus being less proactive in approaching broadened networks in the home and host markets. Indirect exporters are more impacted by the availability of home market environments as the need to use intermediaries to export is high. Compared to direct exporters, they must compete with foreign competitors directly in foreign markets and are largely impacted by foreign market factors. Therefore, direct exporters are most likely less dependent on external network resources. Additionally, Vietnam political stability has been seen as positive, as being one of the most attractive destinations for FDIs. Thus, the desire for SMEs to go for direct export, even when involved with a high level of risks and uncertainties, is growing. Local direct exporters get better access to suppliers and are more capable of going international to seek market expansion and profit in returns. Direct exporters, in use of distribution without intermediaries as indirect exporters, can deliver with speed to foreign markets. Compared to indirect exporters, direct exporters give stronger control over export transactions within the trading channels. Thus, this issue also explains that there is no such significant relationship between network resources and export performance. Direct exporters become more independent and might be able to lift themselves from the barriers of local market-related factors and political policy's dependency. Dealing directly with customers in foreign markets, direct exporters are obligated to be active in terms of sales and procurement, as services providers are not only positioned in the domestic market. To improve export performance, direct exporters must actively target the potential foreign markets in which leveraging the capabilities-related concern matters. In this situation, it can be assumed that the export performance of indirect exporters is more concerned with the applicability of network resources. While direct exporters' performance is more connected to capabilities-based clarifications.

Nevertheless, Albaum et al. (2008) in his book of International marketing and export management suggested that direct exporters associate with either dependent

organizations or independent organizations like distributors and agents must have some selection criteria. At least six important selection criteria (Albaum et al., 2008) that are relevant when selecting foreign distributors: (i) distributor's level of commitment to both product and market, (ii) financial strength of a distributor, (iii) marketing skills and market knowledge, (iv) product-related factors such as the distributor's product line and its compatibility, complementary nature, and quality, (v) planning abilities, (vi) facilitating factors, such as political ties of a distributor, language capability, and so forth.

Among, commitment and financial strength are the two most important criteria in the foreign distribution selection process (Yeoh & Calantone, 1995). Thus, the illustration of direct exporters with customers in foreign markets tend to be varied. Either long-term or short-term relationships, as long as the direct exporters can serve several different customers at the same time and are satisfied with the profits. Indirect exporters' relationships with local customers are not that level of freely flexible, especially they involve the use of independent agents for product distributions. As a consequence, it is understandable that market relationships and networking intensity are different between direct and indirect exporters.

In sum, even though the level of export performance of exporters varies among two export modes and different levels of network resources utilization, relationships are imperative so that firms are capable of accessing foreign markets. To develop such connections stronger, Leonidou et al. (2002) suggest several leading factors in building successful export business relationships with overseas customers:

- treat exporting as a bundle of relationships
- appoint people who are suitable for managing relationships
- adopt an approach to exporting that reflects it as a strategic option open to the firm
- get closer to the foreign customer
- build and sustain trust in the relationship and cultivate mutual understanding
- reduce foreign business uncertainty
- demonstrate greater inter-firm commitment

- engage in direct and indirect communication
- accept that some conflict is inevitable, but try to keep it at a manageable level
- work to maintain sustained inter-firm cooperation

Involvement in export operations is an evolutionary process (Leonidou, Katsikeas, & Samiee, 2002) and the stage of export development is thus correspondingly correlated to the export performance. It was argued that novice exporters at the early stages of export are inexperienced with the global business settings and tend to rely more heavily on foreign customers. Once the exporter accumulates better-exporting experiences, they enhance control over their export transactions (L. S. Welch & Luostarinen, 1993). Looking back at the respondent profiles of this study, above 50 percent of the direct exporters have more than 5 years of exporting experience. While the majority of indirect exporters are between 2 to 5 years. It can be well-explained that direct exporting is more mature.

6 CONCLUSION

This chapter additionally reveals the theoretical contribution, the managerial implication for firms and policymakers. Finally, this chapter acknowledges the limitations of the study and suggests new opportunities for further research.

This PhD project was conducted to examine the internationalization process of the Vietnamese manufacturing SMEs, specifically to answer the two research questions: 'What are the patterns of capabilities and resources utilization in SMEs export mode choices? How do these patterns explain the differentials in the export mode choices?'. The specific objective is to ascertain that even with a lack of capabilities and resources, SMEs can strategically discover the approach to successfully manage the business and grow in the international competitive market. The research project was conducted using two research phases with the separate procedure of data collection in the field research, one exploratory phase through in-depth interviews, and one confirmatory phase applying survey administration.

First, the exploratory phase focuses on exporting choices by highlighting the dynamics of international opportunities for small firms. The findings indicate that the participation of SMEs in direct and indirect exporting modes perceive different levels of capabilities development and network ties. That is, the pursuit of direct or indirect exporting firms has a different level of capability deployment, as well as different intensity levels to their available network ties. These differences, besides other influenced factors, are primary forces that might lead to a distinctive performance in terms of organizational planning and practices. Thus, the choice between either direct or indirect export is a strategic choice of internationalization entry mode and needed to be further explored. To some extent, the exploratory phase discovered some primary aspects of the two export options. That is, possibly due to the characteristics of export when engaging in indirect export, SMEs usually do not produce the finished products. They often associate with the trade intermediaries to carry out exporting business. Consequently, it is worth recognizing that although indirect exporting firms do

contribute to the global value chains, their existence is not popular. Fewer options can be realized in the internationalization process because of little involvement in the global industrial network. Importantly, the dependent level is high due to resource constraints and a lack of capabilities to foster direct stimuli from the initial business formulation. In this line, a recent review from Acosta et al. (2018) also confirms that various external elements and factors influence the internationalization process. For example, firms rely largely on business networks in the international context. On the other hand, although it is not appropriate to simplify that direct exporting firms exhibit superior performance, direct exporters seem to be more connected in the industrial networks. They do leverage by collaborating and realizing approaches which aim to sustain performance in the foreign markets. It has been discussed that the main differences between direct and indirect exporters are the levels of perceiving new opportunities. It is likely that firms choosing direct export options often have a greater possibility to expand their businesses. To some extent, direct exporting firms may be less dependent on a situation that involves resources constraints which is a common obstacle for most small firms. In line with this finding, Hessels and Terjesen also (2010) affirmed that many factors affecting the choice of the direct and indirect mode and that these two modes must be distinguished in SMEs internationalization research. In short, findings from the exploratory phase emphasize that differentiating export mode choices is needed and should be further fostered in studying SMEs internationalization.

Second, the confirmatory phase has further exposed the factors that lead to differences in export mode choice. Although multi-factors are determinants of a firm to be successful in the export market, capabilities and network resources are the key elements enhancing firm competitiveness. The portrait of dynamic capabilities and network resources demonstrate the strengths and weaknesses of SMEs participating in global trade. In general, empirical studies of dynamic capabilities and network-supported internationalization is a largely unexplored issue, especially with regard to small entrepreneurial businesses in the emerging economy. This study contributes to the development of small firms' internationalization theory by discussing how SMEs based on different domestic contexts develop dynamic capabilities and use their networks to support their export. One of the main findings is that SMEs operating in direct export

have a significantly greater endowment of dynamic capabilities and network resources than indirect exporters. The study points out specific patterns of dynamic capabilities and network resources and the differentials in firm mode choices of direct and indirect export. The study also fulfills the gap of understanding what dynamic capabilities exactly are, in which level firms incorporate dynamic capabilities to accomplish their internationalization process. An empirical outline of dynamic capabilities and network resources, especially from exporting firms in an emerging economy like Vietnam, enhances our understanding of the regional context. The findings also offer IB scholars to establish an underpinning knowledge of dynamic capabilities development and network resources utilization in SMEs internationalization.

Third, the relationships between dynamic capabilities, network resources and export performance confirm that dynamic capabilities and network resources are critical drivers of firm international expansion schemes. There might also be other factors that have not been included in this study. For example, Child and Hsieh (J. Child & Hsieh, 2014) have confirmed that different forms and scopes of information are associated with particular patterns of resources that help with the internationalization of SMEs. Evidence from this study confirms that direct and indirect exporting firms might enjoy their performance by concentrating on the roles of dynamic capabilities and network resources. The study suggests that direct and indirect exporting SMEs focus on exploiting their competences, especially when it comes to specific capabilities and relationship ties.

Fourth, early in this research, it has been discussed that indirect exporting firms depend on intermediaries. The intermediaries possess country-specific knowledge that the indirect exporting firms lack (Li, 2004), and also allows firms to adopt lower exporting costs. Given the market complexity and business risk involvement, indirect exporting SMEs may not be able to handle the exporting activities without the support from the intermediaries, which often in the end leads to low-added-value exporting products. Nevertheless, the contribution of indirect in terms of sale volumes is not always documented. Cross-border trading activities like direct exporters can be easily recognized. Nevertheless, within-border trading activities like indirect exporters when

they sell their goods to larger exporting enterprises also add a large portion to total export value. The contribution of indirect exporters was acknowledged in some countries. For example, SMEs account for less than 15 percent of gross export in Mexico but added up to 30 percent of total export values (OECD, 2018a). Similarly, only 3 percent of the total value-added generated by independent micro SMEs in Sweden is exported directly, while an additional 18 percent of their value-added is indirectly embodied in exports. While looking at the actual status of the Vietnam economy, it has been known that Vietnam is one of the leading investment destinations. A large amount of capital investment from the foreign direct investment has increased rapidly since 2006. In 2015, the foreign direct investment sector contributed 20 percent of the Vietnam GDP (KPMG, 2016). Subsequently, a growing stream of indirect exporting SMEs was established to follow and take advantage of these occurrences, yet not to mention the global trade phenomenon. Thus, the empirical analysis of indirect exporters adds some clarifications to the export literature about the role of SMEs as suppliers or indirect exporters when further researching in this area.

6.1 Implications for firms

The emergence of exporters from developing countries provides opportunities and contributes to regional economic development. This study offers several tentative propositions, regarding the development process of small firm internationalization in developing countries. The results suggest several references for manufacturing firms regarding managerial decisions of upgrading international competencies and improving sustainable performance, such as recognizing, evaluating, and explicitly addressing important network patterns and capabilities in their export mode choice.

First of all, the outcome correspondingly highlights the differences between the two modes, thus proposing that SMEs choose between direct and indirect exporting methods or the combination of both. Some evidence acknowledges the value of being diverse with external alliances (J. Child & Hsieh, 2014). Smaller firms benefit more from openness than do larger firms (Vahter et al., 2014). The study also supports managers fulfill the strategic gaps for the participation of SMEs in the global trade. Firms need strategic planning and execution for the purpose of overcoming their scarce

resources and lack of capabilities in coping with business risks and uncertainties in foreign markets. The literature has defined that formulating and implementing strategy as a dynamic approach, as Feurer and Charbaghi (1995) stated that the quality of a formulated strategy depends on the quality of knowledge used. The performance measurement is a quality source of feedback (Katsikeas et al., 2000) to test whether the strategy has operated successfully. The international market is dynamic and fast-changing, and as such exporting firms need to be aware of strategic change so as to remain flexible and stable on their path to internationalization. These findings also help firms choosing export mode choice best suited for performance impact over long industrial periods.

Second, the main findings of this research have presented the insights of the direct and indirect exporters. In the first empirical study of the research, insights of non-exporters who have a high orientation to export were also given. The study is an example of business practices that can be served for non-exporters and exporters for their long-term strategy growing to the global market. Some key findings are revealed here to apprehend what kinds of implications firms can perceive. Firstly, findings from the first non-exporters reveal that these firms gain access to fewer networks, primarily domestic and some foreign ties through importing. Indirect exporting firms mainly engage with the trade intermediaries with limited choices of export. While direct exporting firms involve more proactively and strategically in diverse forms of business networks. Secondly, it was noticed that preparing for accessing a market segment, especially selecting the appropriate market and particular group of consumers, is essential for the exercises of direct export. Thirdly, technological changes and automation have changed the manufacturing industry enormously. As early mentioned in the introduction, the revolution of Industry 4.0 has been applied to SME manufacturers. Thus, it is crucial for the exporting SMEs that adaptation with strategic decisions should be made to maintain sustainable competitiveness in this revolutionary era. In extraordinary cases, shifting the business model can be considered. The first empirical findings have revealed that developing an optimum business model is vital for success. The second empirical findings added that renewal and modification are significantly different between direct and indirect export. Therefore, shifting from direct export to indirect

export, or even shifting from export to import to fulfill the market demand can be a good option.

Third, the literature acknowledged that speed to the market is one of the keys to business success (Chetty, Johanson, & Martín Martín, 2014). Therefore, diversification in export allows firms to be able to select the right markets. This strategy assists firms to overcome the challenges of getting access to the senior export markets. For example, firms can learn that once a product is exported to a senior market, a chance to get access to other markets is high. In such circumstances, low branding recognition should be avoided among exporters, either direct exporters or indirect exporters. Without a brand, exporters often face the complexity of exporting mechanisms, resulting in typical challenges of pricing negotiation. Especially in the export streams of unfinished, it has been frequently reported that products from developing countries to developed countries are often being undervalued. To end this section, it is suggested that firms involved in export should consider for both direct and indirect mode choice, which fits better, to escalate the probability of survival and growth.

6.2 Implications for policymakers

Encouraging stronger participation of SMEs in the global trade enables opportunities in scaling up, accelerating innovation, facilitating spillovers of technology and enhancing productivity (OECD, 2018b). The integration of SMEs in the global value chains boosts the regional economy and improves prosperity. On the other hand, the benefits of SMEs participation in the global market, especially the manufacturing exporters, are not only returns on investment, but also the shares of knowledge, technologies, and international cooperation in the industrial networks. The current trade war between the US and China shows that the international trading environment becomes more complex and requires greater efforts from firms to be internationalized. Tariffs on export and border control in the movement of goods and services might sink the market share of the big enterprises but strongly prevent the small enterprises to grow to a mature stage. Therefore, facilitating the SMEs participation in global trade, especially foreign market information and foreign distribution networks, encourage networks that promote internationalization, frequently lead to reduce entry costs and stimulate small

and medium enterprises productivity. To strengthen SMEs participation in international trade, some other suggestions are also drawn from this study.

First, the reduction of trade costs in relevance to the exemption of taxes in key economic sectors of the country, such as agricultural and food processing. It has been reported that some importing byproducts are highly taxed, resulting in high production costs, thus, in the end, preventing exporters from making competitive prices.

Second, promoting indirect exporting business is essential. The WTO and OECD have revealed the significant contribution of indirect exporters in the global value chain. Taking Germany, the second biggest exporter after China as an example, a high number of hidden champions called 'Mittelstand' export their products indirectly to the world through the large German enterprises. Improvement in the indirect exporters can cover the current weaknesses of the Vietnam manufacturing supporting industry. In the previous sections, it was reported in 2017 by the GSO, that nearly 70 percent of the exporting value are imported materials for processing. Hence, public policy supporting indirect exporters is needed to enable the integration of Vietnamese SMEs in the global value chain.

Third, continuous improvements of SMEs constraints in internationalization in accessing essential industrial relationship ties, international trade information, advanced technology and finance are desirable. Although being a growing destination of exporters, lack of industrial deepening results in low confidence of the Vietnamese macroeconomic stability. National trade deficits, especially in state-owned enterprises, is proof that the private sector should be taken into account.

6.3 Limitations and direction for future research

This work is subject to several limitations which could have been done better. First, the focus of this study is on the exporting manufacturing SMEs in Ho Chi Minh City, across several types of sub-sectors which could make it challenging to have a common generalization. Literally, although all firms are operating within the manufacturing sector, running a food-processing factory can be somehow distinctive from managing an electronic one. Comparably, one sector might have the characteristics of labor-

intensive, while another sector can be technological-intensive. Thus, an intriguing area of studying manufacturing SMEs could explain how exporters are different in each specific sub-sector of the manufacturing sector. Future research may focus on the study of one specific sub-manufacturing sector. Especially, different patterns of external resources and capabilities facilitate export can vary in other contextual research settings.

Second, the sample size of the research, especially in the administration survey phase could have been increased. On one hand, time and cost were the main reasons challenging any researchers to target a high proportion of participants among the population. On the other hand, researching business management requires a tactical approach to reach the audience and be able to encourage the willingness of participation. Furthermore, strictly following the research methodology and sampling criteria must be accomplished to achieve high-quality surveys in the field research.

Third, this study does not categorize other types of exporting firms that could include both direct and indirect exporting activities at the same time. The direct exporting firms in this study may undertake indirect exporting activities and have not been separately analyzed. Therefore, studying the dynamics of entry options can complimentarily contribute to the understanding of the firm internationalization journey.

Overall, this study suggests a further focus on studying the differences between direct and indirect export and the dynamics of SMEs in the steady stream of internationalization. More empirical research is needed to develop an understanding of various influencing factors that can explain direct and indirect export options. For example, the primary motives of firms to take indirect or direct export can be explained. By doing that, future research could also add non-exporters to the empirical investigations and figure out how they decide to export directly or indirectly, e.g. export incentives vs. export barriers. Another aspect related to the export mode decision could be further explored in the relevance of external influences prior to firm export. By that, deepening the consequences of such decisions can create a decent contribution to the export management literature. Lastly, the analysis of indirect exporters can contribute

to their lack of empirical information. Therefore, future research might conduct the analysis in this direction.

Last but not least, future research could further explain how firms can gradually move from one to another choice of export option. For example, researchers may use an alternative method, such as using critical incidents to explain how a firm exporting path is.

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APPENDIX

Appendix 1. Interview Guide for the Semi-structured Interview

INTERVIEW GUIDE

The following interview guide is planned to be used when conducting the interviews with the SMEs senior managers or owners. The interview guide takes into consideration all relevant aspects of the investigates issues, especially the relevance of capabilities and network resources. Managers engaged in the interviews were assessed through their perception, evaluation, and managerial vision of their businesses. For each received answer, the respondents were further questioned why and how that issue happened so that the interviewer could get the most out of the story.

Basic information

- Name of respondent:
- Position in the firm:
- Company description: sector, number of employees, export markets, export products
- Mode of export: direct, indirect, non-export
- Years of exporting:

Questions

1. Brief description of your company?
2. How was the business started? What is your motivation to export?
3. How was the first export transaction initiated? What are the enabling factors? How do these factors differ now?
4. Current performance of your firm? Which capabilities do you think your firm needs to enhance its performance? Why?
5. What are your strengths in conducting export? What are the weaknesses? Why?
6. Which capabilities do you think are important for exporting firms? Why?
7. Which network resources were first important to your business? How did you access them?
8. What type of support your firm has received from these resources?
9. Which network resources that your firm is trying to approach? How important are they?
10. Which resources are important for your future growth?
11. Do you have any other issues to share?

Thank you!

Appendix 2. Survey in English version

SURVEY PROTOCOL

Introduction

Thank you for allowing me to talk with you. Your participation is very valuable to make this research possible. This academic research is conducted to support the pursuing academic title of Philosophy of Doctorate awarded by the International SEPT Program, the University of Leipzig in Germany. The benefits of this research are the implications for how manufacturing firms can build international competencies and improve sustainable performance through exporting activities.

Purpose of this research

Lack of resources and capabilities of SMEs is among the major obstacles for their internationalization. This research explores how firms develop capabilities and utilize external resources during their internationalization process. It explains different modes of export-led internationalization of SMEs. The results of this research will serve as a reference for firms when making strategic decisions for foreign market expansion.

Ethical declaration of this research

All the data collected in this survey is confidential and anonymous unless prior permission in writing is obtained to reveal the individual information. The collected information will be used for academic purposes only.

Survey Guideline

This questionnaire contains two parts:

- Part A: Basic information of the firm such as firm size, sector.
- Part B: Contains 31 questions with a scale from 1 to 5, “1” is labeled as the most negative, the middle of the scale is neutral, “5” is labeled as the most positive.
- The survey is estimated to take 30 minutes.

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PART A

Basic Information

- Firm industry sector: ……
- Number of employees:
  - Under 10
  - 10 – 50
  - 50 – 300
- Export option:
  - Indirect Export
  - Direct Export
- Years of exporting:
  - 2 – 5 years
  - above 5 years

PART B

	To what extent do you disagree or agree with the following statement….	**Strongly Agree**	**Agree**	**Partly / Partly**	**Disagree**	**Strongly Disagree**
		5	**4**	**3**	**2**	**1**
1	We have dedicated resources to identifying export market opportunities	Strongly Agree	4	3	2	Strongly Disagree
2	We have dedicated resources to identifying technological opportunities	Strongly Agree	4	3	2	Strongly Disagree
3	We invest in prerequisite resources needed to conduct the business	Strongly Agree	4	3	2	Strongly Disagree
4	Internationally orientated decisions to foreign market expansion are important for our firm's growth	Strongly Agree	4	3	2	Strongly Disagree
5	We can address the export opportunities from our developed products or services	Strongly Agree	4	3	2	Strongly Disagree
6	Our daily operational activities are based on a developed business process or system	Strongly Agree	4	3	2	Strongly Disagree
7	Our firm makes efforts to introduce one new product to the export market recently	Strongly Agree	4	3	2	Strongly Disagree

8	Our firm puts efforts to undergo renewal and modification as markets and technologies changing quickly	Strongly Agree	4	3	2	Strongly Disagree
9	We continuously standardize our exporting products and modernize our technologies for future growth of our firm	Strongly Agree	4	3	2	Strongly Disagree
On average, how frequently do you communicate about export-related matters with…?		**Very Frequently**	**Frequently**	**Occasionally**	**Rarely**	**Very Rarely**
		5	**4**	**3**	**2**	**1**
10	Personal contacts or Informal business partners to be devoted to export activities	Very Frequently	4	3	2	Very Rarely
11	Friends and family members to be devoted to export activities	Very Frequently	4	3	2	Very Rarely
12	Export associations related to our export activities	Very Frequently	4	3	2	Very Rarely
13	Our links with the government providing assistance to our export activities	Very Frequently	4	3	2	Very Rarely
14	Legal advisory agencies that are experienced in international market operations	Very Frequently	4	3	2	Very Rarely
15	International trade promotion agencies that deal with international market operations	Very Frequently	4	3	2	Very Rarely
16	Financial institutions provide services to our export activities	Very Frequently	4	3	2	Very Rarely
17	Universities or research institutions provide services to our export activities	Very Frequently	4	3	2	Very Rarely
18	Marketing or PR agencies that support our export sales and brand building	Very Frequently	4	3	2	Very Rarely
19	Our technological partners facilitate our manufacturing process	Very Frequently	4	3	2	Very Rarely

20	Current public services and facilities facilitate our business function	Very Frequently	4	3	2	Very Rarely
21	Logistics companies provide services to our export activities	Very Frequently	4	3	2	Very Rarely
22	Local or foreign suppliers provide production materials for our export	Very Frequently	4	3	2	Very Rarely
23	Our business partners as potential customers in our export	Very Frequently	4	3	2	Very Rarely
Our overall impression of our export activities over the last 2 years…		**Very Satisfied**	**Somewhat Satisfied**	**Partly / Partly**	**Somewhat Dissatisfied**	**Very Dissatisfied**
		5	**4**	**3**	**2**	**1**
24	Contribution to overall profitability	Very Satisfied	4	3	2	Very Dissatisfied
25	Generation of sales volume	Very Satisfied	4	3	2	Very Dissatisfied
26	Growth achievement	Very Satisfied	4	3	2	Very Dissatisfied
27	International competitiveness level	Very Satisfied	4	3	2	Very Dissatisfied
28	Strategic position in the international market	Very Satisfied	4	3	2	Very Dissatisfied
29	Taking over of the international market share	Very Satisfied	4	3	2	Very Dissatisfied
30	Expectation of Success	Very Satisfied	4	3	2	Very Dissatisfied
31	Fulfillment of goals and expectations	Very Satisfied	4	3	2	Very Dissatisfied

Thank you for helping with this research!

Appendix 3. Code Hierarchy

1	**motivation to export**
1.1	non-exporters
1.2	indirect exporters
1.3	direct exporters
2	**first-time export**
2.1	**organizational capabilities**
2.2.1	**operational capabilities**
2.2.1.1	management and leadership
2.2.1.2	human resources practices
2.2.1.3	organizational structure and routines
2.2.1.4	technological capabilities
2.2.1.5	marketing and market intelligence
2.2.2	**dynamic capabilities**
2.2.2.1	sensing capabilities
2.2.1.1.1	recognition of market opportunities
2.2.1.1.2	recognition of technological capabilities
2.2.1.1.3	mobilization of requisite resources
2.2.2.2	seizing capabilities
2.2.2.2.1	decision making capabilities
2.2.2.2.2	absorbing resources capabilities
2.2.2.3	leveraging capabilities
2.2.2.3.1	replicating capabilities
2.2.2.3.2	extending resources capabilities
2.2.2.4	transformation capabilities
2.2.2.4.1	renewal and modification capabilities
2.2.2.4.2	transformation capabilities
2.2.3	**network resources**
2.2.3.1	social network
2.2.3.1.1	informal contacts
2.2.3.1.2	friends and family members
2.2.3.2	information network
2.2.3.2.1	export associations
2.2.3.2.2	links to government assistance
2.2.3.2.3	legal advisory agencies
2.2.3.2.4	trade promotion agencies
2.2.3.3	institutional network
2.2.3.3.1	financial institutions
2.2.3.3.2	knowledge institutions
2.2.3.3.3	media organizations
2.2.3.3.4	technological partners
2.2.3.3.5	public services providers
2.2.3.4	market network
2.2.3.4.1	logistics companies
2.2.3.4.2	suppliers
2.2.3.4.3	potential customers

3	**current status**
3.1	**organizational capabilities**
3.2.1	**operational capabilities**
3.2.1.1	management and leadership
3.2.1.2	human resources practices
3.2.1.3	organizational structure and routines
3.2.1.4	technological capabilities
3.2.1.5	marketing and market intelligence
3.2.2	**dynamic capabilities**
3.2.2.1	sensing capabilities
3.2.1.1.1	recognition of market opportunities
3.2.1.1.2	recognition of technological capabilities
3.2.1.1.3	mobilization of requisite resources
3.2.2.2	seizing capabilities
3.2.2.2.1	decision making capabilities
3.2.2.2.2	absorbing resources capabilities
3.2.2.3	leveraging capabilities
3.2.2.3.1	replicating capabilities
3.2.2.3.2	extending resources capabilities
3.2.2.4	transformation capabilities
3.2.2.4.1	renewal and modification capabilities
3.2.2.4.2	transformation capabilities
3.2.3	**network resources**
3.2.3.1	social network
3.2.3.1.1	informal contacts
3.2.3.1.2	friends and family members
3.2.3.2	information network
3.2.3.2.1	export associations
3.2.3.2.2	links to government assistance
3.2.3.2.3	legal advisory agencies
3.2.3.2.4	trade promotion agencies
3.2.3.3	institutional network
3.2.3.3.1	financial institutions
3.2.3.3.2	knowledge institutions
3.2.3.3.3	media organizations
3.2.3.3.4	technological partners
3.2.3.3.5	public services providers
3.2.3.4	market network
3.2.3.4.1	logistics companies
3.2.3.4.2	suppliers
3.2.3.4.3	potential customers
4	**future importance**
4.1	**organizational capabilities**
4.2.1	**operational capabilities**
4.2.1.1	management and leadership
4.2.1.2	human resources practices
4.2.1.3	organizational structure and routines

4.2.1.4	technological capabilities
4.2.1.5	marketing and market intelligence
4.2.1.6	developing optimum business model
4.2.2	**dynamic capabilities**
4.2.2.1	sensing capabilities
4.2.1.1.1	recognition of market opportunities
4.2.1.1.2	recognition of technological capabilities
4.2.1.1.3	mobilization of requisite resources
4.2.2.2	seizing capabilities
4.2.2.2.1	decision making capabilities
4.2.2.2.2	absorbing resources capabilities
4.2.2.3	leveraging capabilities
4.2.2.3.1	replicating capabilities
4.2.2.3.2	extending resources capabilities
4.2.2.4	transformation capabilities
4.2.2.4.1	renewal and modification capabilities
4.2.2.4.2	transformation capabilities
4.2.3	**network resources**
4.2.3.1	social network
4.2.3.1.1	informal contacts
4.2.3.1.2	friends and family members
4.2.3.2	information network
4.2.3.2.1	export associations
4.2.3.2.2	links to government assistance
4.2.3.2.3	legal advisory agencies
4.2.3.2.4	trade promotion agencies
4.2.3.3	institutional network
4.2.3.3.1	financial institutions
4.2.3.3.2	knowledge institutions
4.2.3.3.3	media organizations
4.2.3.3.4	technological partners
4.2.3.3.5	public services providers
4.2.3.4	market network
4.2.3.4.1	logistics companies
4.2.3.4.2	suppliers
4.2.3.4.3	potential customers

Appendix 4. Zusammenfassung

DIFFERENTIALS IN MODE CHOICES OF EXPORT ENGAGEMENT
A study of the small and medium-sized manufacturing firms in Vietnam

Forschungsrationalität

Heute ist die Internationalisierung für die Attraktivität von Unternehmen aller Größenordnungen immer wichtiger geworden. Nicht nur große Unternehmen internationalisieren, sondern auch kleine und mittlere Unternehmen (KMU) versuchen, ihre globalen Strategien zu starten. Neuere Studien der Weltbank und der WTO kommen jedoch im Vergleich zu Großunternehmen zu dem Ergebnis, dass die Beteiligung von KMU am Welthandel typischerweise schwach ist, insbesondere in Entwicklungsländern. Die Fragen der Integration von KMU in den internationalen Markt scheinen ein Haupthindernis für die Ziele einer nachhaltigen wirtschaftlichen Entwicklung in Entwicklungsländern zu sein, wie im Fall von Vietnam. Obwohl das Land in den letzten Jahrzehnten mit positiven Wirtschaftsberichten gesegnet ist, stehen die lokalen vietnamesischen Exportunternehmen in dieser neuen Ära der technologischen Revolution vor vielen langfristigen Herausforderungen hinsichtlich der Anpassung an die Transformation des Produktionsprozesses und der Anbindung an industrielle Netzwerke. Der Mangel an Ressourcen und Fähigkeiten der kleinen und mittleren Unternehmen gehört zu den größten Hindernissen für ihre Internationalisierung. Die Verbesserung der Exportleistung sollte zur strategischen Entscheidung werden, um eine Lösung für wirtschaftliches Wachstum und makroökonomische Stabilität zu finden.

Im Prozess der Internationalisierung bauen kleine Unternehmen eine einzigartige Wahrnehmung und Verfolgung ihrer internationalen Chancen auf. Innerhalb der verschiedenen Stufen der Internationalisierung entwickeln die Exportfirmen auch einen unterschiedlichen Ansatz für die Nutzung von Fähigkeiten und Ressourcen. Diese Arbeit zielt darauf ab, die Basis des verfügbaren Wissens über die Entwicklung von Fähigkeiten und die Nutzung externer Ressourcen während des Internationalisierungsprozesses kleiner und mittlerer Unternehmen in Vietnam zu erweitern.

Im Allgemeinen hat sich die internationale Wirtschaftsforschung zu den Einstiegsmöglichkeiten überwiegend auf multinationale Unternehmen konzentriert. Im Vergleich zu multinationalen Unternehmen unterscheiden sich kleine und mittlere Firmen jedoch in Bezug auf Erfahrungen, Verhalten und Strategien auf den globalen Märkten. Darüber hinaus wird in der Literatur über Exportmanagement und Exportverhalten der Export konventionell als allgemeiner Modus analysiert, ohne zwischen direkten und indirekten Exportoptionen zu unterscheiden. Daher wird Forschung über die Eintrittsarten von KMUs notwendig, um die Wissensbasis der Internationalisierung von KMUs zu erweitern. Diese Forschung konzentriert sich auf die folgenden zwei großen Forschungslücken, die im Zusammenhang mit der Wahl des Modus des Exportengagements der Unternehmen bestehen: (i) die Nutzungsmuster der Netzwerkressourcen und -fähigkeiten in jedem Exportmodus, und (ii) die Frage, was es den exportierenden Unternehmen ermöglicht, von einer Exportstufe in eine andere zu wechseln.

Forschungsfragen

Diese Studie liefert zeitgenössische Anliegen, Einblicke in den aktuellen Status der exportierenden KMU in einer der dynamischsten Volkswirtschaften in der südostasiatischen Region. Die Hauptdiskussion der Forschung besteht darin, die Unterschiede in der Wahl des Exportmodus für das Engagement von KMU im verarbeitenden Gewerbe zu erklären. Obwohl die Forschung zum Export nicht neu ist, bietet diese Arbeit eine neue Überprüfung, indem sie neue Perspektiven aufzeigt. Insbesondere konzentriert sich die Forschung auf die Frage, was Unternehmen in die Lage versetzt, indirekt zu exportieren, oder direkt zu exportieren; und warum einige Unternehmen andere übertreffen, wobei der Schwerpunkt auf der Untersuchung der Muster und Fähigkeiten von Netzwerkressourcen liegt. Mit der Betonung der verschiedenen Arten des Exportengagements trägt die Studie nicht nur zum Verständnis dieser Frage bei, sondern zeigt auch relevante Praktiken innerhalb des Internationalisierungsprozesses von KMU auf. Die Forschung zielt darauf ab, einen Beitrag zu den Fähigkeiten und Netzwerktheorien aus der Perspektive der

Internationalisierung vietnamesischer Produktionsfirmen zu leisten. Daher beantwortet die Forschung die folgenden Forschungsfragen:

1. Welches sind die Muster der Fähigkeiten und der Ressourcennutzung bei der Wahl des Exportmodus von KMU?
2. Wie erklären diese Muster die Unterschiede bei der Wahl des Exportmodus?

Forschungseinleitung und Darstellung des empirischen Kontexts

Die Dissertation umfasst sechs Hauptkapitel. Kapitel eins liefert den Hintergrund der Forschung, einschließlich der Begründung der Forschung, der Forschungsfragen und der Ziele. Kapitel zwei beschreibt die vietnamesische Wirtschaft und insbesondere die verarbeitende Industrie. Kapitel drei bietet einen ausführlichen Literaturüberblick, beginnend mit dem Konzept der Internationalisierung und den damit verbundenen Theorien zur Erklärung der Internationalisierungsphänomene. Kapitel vier beschreibt den Forschungsansatz, die Forschungsstrategie und das Forschungsdesign mit der Logik der Durchführung gemischter Methoden. In Kapitel fünf werden die Ergebnisse vorgestellt und diskutiert. Kapitel sechs schließlich enthält Schlussfolgerungen mit den wichtigsten Ergebnissen und Empfehlungen.

Im ersten Kapitel wird der Hintergrund der Forschung in Bezug auf den Forschungskontext vorgestellt. Die spezifischen Ziele, die Forschungsfragen und die Struktur der These werden beschrieben. Die Bedeutung dieses Themas ist im internationalen Geschäftsverkehr von hoher Relevanz und trägt zum Verständnis der aktuellen Fragen der Internationalisierung von Unternehmen bei. Dieses Kapitel bietet einen Zugang zu den Disziplinen der Kleinunternehmen aus einer aufstrebenden Wirtschaft und einen allgemeinen Überblick über internationale Expansionsstrategien. Die Hauptziele der Studie sind ausführlich definiert, wobei der Schwerpunkt auf dem Verständnis liegt, wie Firmen während ihres Internationalisierungsprozesses Fähigkeiten entwickeln und Netzwerkressourcen nutzen, wobei der Schwerpunkt auf dem nicht regelmäßigen Export, dem indirekten Export über unabhängige Agenten und dem regelmäßigen direkten Export liegt. In diesem Zusammenhang ist es wichtig, darauf hinzuweisen, dass sich die exportbezogene Forschung normalerweiser auf den

allgemeinen Eintrittsmodus in den Export konzentriert, ohne zwischen direkten und indirekten Exportoptionen zu unterscheiden. Die Studie befasst sich mit den Unterschieden zwischen direkten und indirekten Exportfirmen und untersucht die Faktoren, die zur Differenzierung der Exportoptionen von Exporteintrittsmodi führen, wobei der Schwerpunkt auf Fähigkeiten und Netzwerkressourcen liegt. Nur wenn man die unterschiedlichen Entscheidungen von Firmen für indirekte und direkte Exportoptionen versteht, könnte man einen Exportansatz für die Teilnahme von KMUs am globalen Handel vorschlagen.

Kapitel zwei gibt einen Überblick über den empirischen Kontext. Dieses Kapitel befasst sich systematisch mit der vietnamesischen verarbeitenden Industrie und der Bedeutung exportierender KMU für den Welthandel. Bei der Einführung in diesen spezifischen Industriezweig und den Kontext der Schwellenländer werden die damit verbundenen Forschungsphänomene und ihre Bedeutung von lokalen bis hin zu globalen Fragen untersucht. Das Kapitel fasst die Charakteristika des verarbeitenden Gewerbes zusammen, stellt seinen operativen Status vor und liefert eine vernünftige Motivation, empirische Forschung in diesem gewählten Kontext durchzuführen. Dieses Kapitel enthält auch eine Synthese verwandter Berichte und vorhandener Studien über den vietnamesischen Verarbeitungssektor und seine Reflexion mit den benachbarten Volkswirtschaften in der Region. Das Kapitel behandelt auch die aktuellen Herausforderungen der vietnamesischen Verarbeitungsindustrie. Dies bezieht sich auf die Wettbewerbsfähigkeit der Unternehmen, die Wertschöpfung im Export oder den zunehmenden Wettbewerb aufgrund der Kräfte der wirtschaftlichen Globalisierung.

Literaturübersicht und Forschungsmethoden

Kapitel drei führt eine kritische Durchsicht der Literatur durch. Das Hauptziel dieses Kapitels besteht darin, die meisten verwandten Theorien und empirischen Belege zu identifizieren, die das Verständnis des Internationalisierungsprozesses von KMUs und der verschiedenen Exportmodi unterstützen. Die Diskussion berücksichtigt die wichtigsten Paradigmen der Internationalisierungstheorien, darunter die Netzwerktheorie, die Transaktionskostentheorie, das OLI-Framework, und die Ressourcentheorie. Dieses Kapitel ist ein grundlegender Schritt, um die

Forschungslücken zu ermitteln und ein erstes Forschungsmodell vorzuschlagen. Das vorgeschlagene Forschungsmodell konzentriert sich auf verschiedene Arten des Exports, beschreibt Fähigkeiten und feste Netzwerkmuster und leistet damit einen einzigartigen Beitrag zur bestehenden empirischen Literatur des Exportmanagements. Am Ende zeigt das Kapitel überzeugend, dass diese Exportarten, die im empirischen Teil der Arbeit analysiert werden, theoretisch fundiert sind und eine Forschungslücke für die vietnamesische Wirtschaft darstellen.

Kapitel vier beschreibt einen Überblick über die Forschungsmethode. Die Forschungsstrategie schlägt eine geeignete Forschungsmethode zur Lösung des Forschungsproblems vor. Dieser Teil befasst sich mit der Erläuterung des Forschungsdesigns und der Beschreibung der Datenaufbereitung. Das Kapitel behandelt das Stichproben-Design, die Methoden der Datenerhebung und stellt die Methoden der Datenanalyse vor. Ein rationeller Ansatz unter Verwendung einer gemischten Methodik wird ausführlich erläutert. Die zweistufigen empirischen Methoden umfassen einen qualitativen Ansatz und einen quantitativen Ansatz. Die erste Phase folgt einem qualitativen Ansatz, bei dem explorative Tiefeninterviews mit 10 Führungskräften oder Geschäftsinhabern durchgeführt werden. Hier zielt die Forschung darauf ab, den Bereich der Firmennetzwerke und -fähigkeiten in den Herstellerfirmen zu erforschen, die den exportorientierten Internationalisierungsprozess erleichtern. In der zweiten Phase wurde eine quantitative Verwaltungserhebung durchgeführt. Ziel ist es, die in der ersten Forschungsphase gewonnenen Erkenntnisse weiter zu vertiefen. Hier besteht die Stichprobe aus 72 Unternehmen, darunter 38 direkt exportierende Firmen und 34 indirekt exportierende Firmen. Die Datenanalyse wurde mit etablierten Methoden mit der computergestützten qualitativen Datenanalysesoftware MAXQDA und Statistiksoftware SPSS durchgeführt.

Ergebnisse und Diskussion

Kapitel fünf besteht aus empirischen Befunden und Diskussionen. Die Ergebnisse der empirischen Datenerhebung und Datenanalyse werden dargestellt.

In der qualitativen Forschungsphase werden drei verschiedene Gruppen von KMU diskutiert, darunter nicht reguläre Exporteure, indirekte Exporteure, und reguläre direkte Exporteure. Diese erste empirische Phase spielt eine wichtige Rolle in der Forschung, da sie ein vorläufiges Verständnis des Forschungsproblems und der Kontextbedingungen bietet. Wichtige Muster mit Schwerpunkt auf der explorativen Untersuchung von organisatorischen Fähigkeiten und Netzwerkressourcen werden generiert. Im Anschluss an die Technik der thematischen Inhaltsanalyse präsentiert das Ergebnis eine Zusammenfassung der Ergebnisse und Beweise unter Verwendung von Zitaten der Befragten. Einige visuelle Hilfsmittel wie „Code Matrix Browser, Code Relationship Browser, Dokument Portraits, Sub-codes Statistics“ werden vorgestellt. Die Visualisierung erleichtert den Interpretationsprozess und bietet eine aussagekräftige Erklärung der wichtigsten operativen Konstrukte. Das Ergebnis dieser Phase ist eine Verknüpfung, die einen umfassenden Rahmen für die Gestaltung weiterer empirischer Forschung bietet.

Die quantitative Forschungsphase bestätigt den Unterschied zwischen zwei verschiedenen Exportmodi: direkter und indirekter Export. Die Netzwerkressourcen, die dynamischen Fähigkeiten und die Exportleistung werden aus der Sondierungsphase und der vorhandenen Literatur, die im vorhergehenden Kapitel erörtert wurde, abgeleitet. Nichtparametrische statistische Tetsts werden durchgeführt, und es werden auch empirische Ergebnisse präsentiert:

- Bei der Beteiligung von KMUs am Export gibt es signifikante Unterschiede in den dynamischen Fähigkeiten und der Nutzung von Netzwerkressourcen zwischen direkten und indirekten Exporteuren.
- Die dynamischen Fähigkeiten und die Nutzung von Netzwerkressourcen der direkten Exporteure sind statistisch signifikant höher als die der indirekten Exporteure.
- Direkte und indirekte Exporteure unterscheiden sich wesentlich in ihrer Fähigkeit, neue Marktchancen zu erkennen. Im Vergleich zu indirekten Exporteuren verfügen direkte Exporteure über eine stärkere Fähigkeit,

Ressourcen für die Untersuchung von Konkurrenten und die Erforschung des Exportmarktes einzusetzen.

- Es besteht eine signifikante Korrelation zwischen „seizing“ und „leveraging“ von Fähigkeiten zur Exportleistung beider Exportgruppen. Das bedeutet, dass je höher die Exportunternehmen ihr Niveau der „seizing“ und „leveraging“ von Fähigkeiten haben, desto besser sind ihre Exportleistungen.
- Es besteht eine signifikante Korrelation zwischen sozialen Netzwerken, Informationsnetzwerken und Marktnetzwerken zur Exportleistung indirekter Exporteure. Dieses Ergebnis deutet darauf hin, dass je stärker die Verbindungen zu sozialen Netzwerken, Informationsnetzwerken und Marktnetzwerken sind, desto besser sind die Exportleistungen indirekter Exporteure.

Kapitel sechs schließlich zieht ein Fazit mit dem Schwerpunkt auf der Hervorhebung der Forschungsergebnisse, den Inputs für theoretische Beiträge und den Implikationen für Unternehmen und politische Entscheidungsträger. In diesem Kapitel werden auch die Grenzen der Forschung erörtert und neue mögliche Richtungen für die künftige Forschung vorgeschlagen.

Zusammenfassend lässt sich sagen, dass die Studie das kontextuelle Verständnis der Unterschiede bei der Wahl des Modus des Exportengagements bereichert und somit einen empirischen Beitrag zur Exportmanagementliteratur über die Beteiligung von KMU am Welthandel leistet. Die Ergebnisse bestätigen, dass Forscher angesichts der signifikanten Unterschiede zwischen direkten und indirekten Exporteuren den Exportmodus der Internationalisierung von KMU nicht als Ganzes verallgemeinern sollten. Das Verständnis der verschiedenen Exportmodi, insbesondere bei der Entwicklung dynamischer Fähigkeiten und der Nutzung von Netzwerkressourcen, kann den Unternehmen eine strategische Leistungssteigerung auf ihrer Exportreise zu ermöglichen.

Appendix 5. Lebenslauf

TUONG NGUYEN

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EDUCATION

2014- **PhD Candidate**
International SEPT Program, Leipzig University | Leipzig, Germany
Focus: Export management, Foreign market entry strategies

2010-2011 **Master of Business Administration** | Thesis: Pass with Distinction
Gotland University (Uppsala University) | Visby, Sweden
Focus: International management, SMEs Development, Marketing

2007-2010 **Bachelor of Business Administration** | Thesis: Good (4/5)
HAMK University of Applied Sciences | Valkeakoski, Finland
Exchange studies in Stockholm School of Economics, Riga and Haaga-Helia University of Applied Sciences, Helsinki
Focus: International business, Global marketing, Entrepreneurship

EMPLOYMENT

2012-2014 **International Relations Coordinator**
Hoa Sen University | HCMC, Vietnam

2010-2012 **Project Lead, Co-founder**
FiViCorp, Stalkhome Media | Helsinki, Finland

RESEARCH PARTICIPATION AND CONTRIBUTION

Conference papers

2018 Nguyen, K. T.; Dornberger, U. and Nabi, M. N. (2018): Explaining the differentials in firms' modes of export engagement: A dynamic capability-based interpretation of the Vietnamese indirect and direct exporting SMEs. The 22nd McGill International Entrepreneurship Conference, Halmstad University, 22–24 August 2018, Halmstad, Sweden

2016 Nguyen, K. T.; Dornberger, U. and Nabi, M. N. (2016): Exploring the patterns of resources leveraging by SMEs in their internationalization process - A study of Vietnamese exporting manufacturing firms. AIB Southeast Asia Regional Conference, Lingnan University, 2-4 December 2016, Guangzhou, China

Doctoral colloquiums

2018 Nguyen, K.T: Differentials in mode choices of export engagement: a study of the small and medium-sized manufacturing firms in Vietnam. International SEPT program, 9 November 2018, Leipzig, Germany

2018 Nguyen, K.T: Differentials in mode choices of export engagement: a study of the small and medium-sized manufacturing firms in Vietnam. Halmstad University, 22 August 2018, Halmstad, Sweden

2018 Nguyen, K.T: Differentials in mode choices of export engagement: a study of the small and medium-sized manufacturing firms in Vietnam. International SEPT program, 5 June 2018, Leipzig, Germany

2017 Nguyen, K.T: The relevance of international entrepreneurship for the export success of the Vietnamese manufacturing firms. International SEPT program, 24 October 2017, Leipzig, Germany

2017 Nguyen, K.T: The relevance of international entrepreneurship for the export success of the Vietnamese manufacturing firms. International SEPT program, 6 June 2017, Leipzig, Germany

2017 Nguyen, K.T: The relevance of international entrepreneurship for the export success of the Vietnamese manufacturing firms. International SEPT program, 6 June 2017, Leipzig, Germany

2017 Nguyen, K.T: The relevance of international entrepreneurship for the export success of the Vietnamese manufacturing firms. International SEPT program, 24 January 2017, Leipzig, Germany

2016 Nguyen, K.T: Resource determinant of firm capabilities development: lesson from exporting manufacturing firms. The Friedrich Schiller University Jena, 4 August 2016, Jena, Germany

2016 Nguyen, K.T: Exploring the patterns of resources and capabilities leveraging by SMEs in their internationalization process**:** a study of exporting manufacturing firms. University of Southern Denmark, 16 September 2016, Kolding, Denmark

2015 Nguyen, K.T: The relevance of international entrepreneurship for the export success of the Vietnamese manufacturing firms. International SEPT program, 11 December 2015, Leipzig, Germany

2015 Nguyen, K.T: The relevance of international entrepreneurship for the export success of the Vietnamese manufacturing firms. International SEPT program, 9 June 2015, Leipzig, Germany

2015 Nguyen, K.T: The relevance of international entrepreneurship for the export success of the Vietnamese manufacturing firms. International SEPT program, 6 January 2015, Leipzig, Germany

Workshops and trainings

2018 TACIT Summer School Innovation & Entrepreneurship Methods. RWTH Aachen University, 11-15 June, Aachen, Germany

2018 Qualitative Research Method Seminar. Faculty of Business and Economics, TU Dresden 30-31 January, Dresden, Germany

2017 Qualitative methods workshop. International SEPT program, Leipzig University, 7-9 December, Leipzig, Germany

2017 Quantitative Approaches to Data Collection and Analysis. The GIGA German Institute of Global and Area Studies 1-2 November, Hamburg, Germany

2017 MACROS Innovation Program, Promoting Innovation in Small Businesses. International SEPT program, 26-27 October, Leipzig, Germany

2017 Publishing Strategy and Econometrics with STATA. SME Management Graduate School, University of Siegen, 2-4 October 2017, Siegen, Germany

2016 5th Southeast Asian Studies Symposium. Mathematical Institute University of Oxford, 14-16 April, Oxford, United Kingdom

2016 Developing research designs and use of qualitative and mixed methods. University of Southern Denmark, 12-16 September, Kolding, Denmark

2016 Entrepreneurship Summer School. University of Sheffield, 20-26 August, Thessaloniki, Greece

2016	10th GSBC-EIC Summer Academy on Innovation and Uncertainty. The Friedrich Schiller University Jena, 24 July-6 August, Jena, Germany
2016	Nordic Conference on Small Business Research. Stockholm School of Economics, 18-20 May, Riga, Latvia
2016	Enhancing entrepreneurship & innovation skills for SMEs. 3rd PIT Networking event "Sharing lessons – replicating ideas", ASEAN-German Project "Promoting Innovation & Technology in ASEAN Countries", 8-9 March, Hanoi, Vietnam
2015	Computer-assisted qualitative data analysis. The GIGA German Institute of Global and Area Studies, 16-17 November, Hamburg, Germany
2015	Fall school in empirical research methods. Southeast Asian Studies, Freiburg University, 29-31 October, Freiburg, Germany

Appendix 6. Erklärung

Hiermit versichere ich, dass ich die vorliegende Arbeit ohne unzulässige Hilfe Dritter und ohne Benutzung anderer als der angegebenen Hilfsmittel angefertigt habe; die aus fremden Quellen direkt oder indirekt übernommenen Gedanken sind als solche kenntlich gemacht.

Bei der Auswahl und Auswertung des Materials, bei der Herstellung des Manuskripts sowie bei der sprachlichen Redaktion habe ich die Unterstützungsleistungen von folgenden Personen erhalten:

Weitere Personen waren an der geistigen Herstellung der vorliegenden Arbeit nicht beteiligt. Insbesondere habe ich nicht die Hilfe eines Promotionsberaters in Anspruch genommen. Dritte haben von mir weder unmittelbar noch mittelbar geldwerte Leistungen für Arbeiten erhalten, die im Zusammenhang mit dem Inhalt der vorgelegten Dissertation stehen.

Die Arbeit wurde bisher weder im Inland noch im Ausland in gleicher oder ähnlicher Form einer anderen Prüfungsbehörde vorgelegt und ist auch noch nicht veröffentlicht worden.

Datum Unterschrift

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